Diamonds

Can De Beers keep its monopoly?

Page 22

Petrochemicals

March of the lemmings

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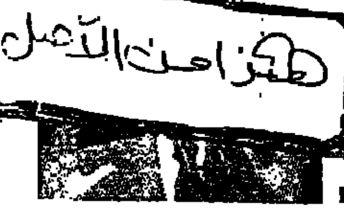
Something rotten

How Denmark's Hafnia came to grief

Page 16



US bonds

Why the market fears a Bush tax cut

Page 15

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday August 20 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Key figure in EMS creation to join Bundesbank

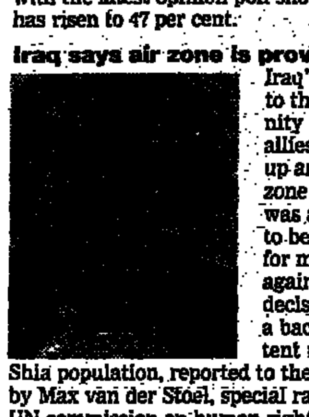
Horst Schulmann, managing director of the Institute for International Finance, is to join the German central bank's policy-making council. At one time a senior economic adviser to Helmut Schmidt, the former German chancellor, Schulmann was a central figure in the creation of the European Monetary System. Page 14

UK output rises: UK output excluding oil and gas extraction rose in the second quarter for the first time in almost two years, but another fall in retail sales last month suggested no immediate prospect of recovery. Page 14; Lex, Page 14; When Gloom shades into depression; Real interest rates in UK since 1925, Page 7; Editorial Comment, Page 12

Somalia airlifts: France started an emergency airlift of food but the US postponed its first flight for technical reasons. Meanwhile, Germany said it would join the international airlift, transporting DM20m ($14m) of food. Food, morals and sanity disappear in Somalia, Page 4

French opinion polls: Opposition to the Maastricht treaty is growing in France ahead of next month's referendum on European unity, with the latest opinion poll showing the No vote has risen to 47 per cent.

Iraq says air zone is provocative:



Iraq's ambassador to the European Community said the Gulf war allies' decision to set up an air exclusion zone in southern Iraq was a provocation, to be used as a pretext for military action against Iraq. The allied decision came against a background of persistent repression of the Shia population, reported to the UN last week by Max van der Stoel, special rapporteur of the UN commission on human rights (above). Page4

Tokyo stocks rallied but closed off their day's highs. The Nikkei share average was 341.33 points higher at 14,650.74. Brokers said the rebound was technical rather than a response to government emergency measures. **Japan's investors unmoved by bank support measures, Page 4; Back page Section Two**

Japanese gangster barred: Underworld boss *Masaru Takumi, deputy head of Japan's* biggest crime syndicate was barred when he flew in to Paris to seek treatment for diabetes and a liver ailment.

Israel: Shimon Peres, Israeli foreign minister, called for 'meaningful' Arab talks, saying the government wanted to move quickly to deal with issues of substance. Page 4. Meanwhile, Israel refused two Islamic leaders from the occupied Gaza Strip travel permits to meet Palestine Liberation Organisation chairman Yassir Arafat.

Ukraine's grain harvest, a critical economic and political factor in the former Soviet republic, may be good enough to avoid imports, agricultural officials said.

Kashmir progress: Talks between India and Pakistan ended with both sides agreeing to discuss Kashmir, and signing agreements on the prohibition of chemical weapons and a code of conduct for diplomats. Page 4

Zimbabwe cancels jet order: Zimbabwe has cancelled a $2bn (£1bn) order for Russian MiG-29 fighters because of lessening friction with South Africa.

Berlitz International, the language school subsidiary of Maxwell Communication Corporation, which discovered a majority of its shares were pledged improperly to banks by the late Robert Maxwell, has signed a merger agreement with Fukutake Publishing, the Japanese correspondence course and book publishing concern. Page 15

Sony and Pioneer Electronic, the Japanese consumer electronics groups, each reported a steep decline in first quarter pre-tax profits because of the weak world economy and overcapacity in the consumer electronics industry. Page 15

Broken Hill Proprietary acted to end uncertainty over Foster's, the world's fourth biggest brewing group, by offering A$1.72bn ($1.27bn) for a 32 per cent shareholding. Page 15

Barclays Bank is to raise $500m of capital in the US using a new hybrid financial instrument which other UK banks are expected to imitate. Page 16

■ STOCK MARKET INDICES		
FT-SE 100:	2,363.5	(+8.6)
Yield	5.09	
FT-SE Eurotrack 100	1,033.91	(−1.83)
FT-A All-Share	1,122.95	(+0.3%)
FT-A World Index	134.24	(+0.1%)
Nikkei	14,650.74	(+341.33)
New York:		
Dow Jones Ind Ave	3,307.86	(−22.42)
S&P Composite	418.19	(−3.15)
■ US CLOSING RATES		
Federal Funds:	3½%	(3%)
3-mo Treas Bills: Yld	3.127%	(3.127%)
Long Bond	99 7/16	(99 1/32)
Yield	7.312%	(7.325%)
■ LONDON MONEY		
3-mo Interbank	10¼%	(10 7/32%)
Liffe long gilt future	Sep 97 1/32	(Sep 97 11/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$19.925	(20.025)
■ Gold		
New York Comex (Aug)	$337.9	(335.8)
London	$338.05	(336.15)

■ STERLING		
New York:		
$	1.935	(1.931)
London		
$	1.935	(1.9295)
DM	2.8125	(same)
FFr	9.55	(9.5425)
SFr	2.53	(same)
Y	244.5	(243.5)
£ Index	91.9	(same)
■ DOLLAR		
New York:		
DM	1.45345	(1.4575)
FFr	4.9355	(4.944)
SFr	1.30325	(1.3085)
Y	126.60	(126.15)
London		
DM	1.453	(1.458)
FFr	4.935	(4.954)
SFr	1.302	(1.311)
Y	126.3	(126.25)
$ Index	60.8	(same)
Tokyo close Y 126.41		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Danish insurer suspends its shares

By Richard Lapper in London and Our Copenhagen Correspondent

HAFNIA HOLDINGS, Denmark's second biggest insurer, yesterday announced it was suspending its shares and transferring its assets to a new holding company in a drastic move to keep its insurance and banking operations running.

Hafnia's insurance and bank subsidiaries – which include Prolific, the London-based life assurance and pensions company acquired in 1989, and the Economic, a small general insurance business - expect to continue as before under the umbrella of a new company, Hafnia Holding 1992. The old company will suspend debt payments and is understood to be seeking protection from its creditors.

The news hit share prices across Scandinavia with falls of more than 1 per cent in the share price indices of the Copenhagen, Stockholm and Oslo bourses.

Hafnia's difficulties mark the end of an ambitious attempt to create a giant pan-Scandinavian financial services company.

Lex .... Page 14

Shareholders put on a brave face .... Page 16

They will have serious repercussions for some of Scandinavia's biggest banks and insurers, including Skandia of Sweden, Baltica of Denmark and UNI Storebrand of Norway. Norwegian authorities were reported last night by the Oslo newspaper Aftenposten to be considering a rescue plan for UNI Storebrand.

Hafnia said the creation of a company, which will be wholly owned by the old holding company, was the "best way to secure the interests of shareholders and creditors". The old company's liabilities amount to DKr6bn (£553m).

Hafnia first disclosed it was in serious financial difficulties earlier this summer when it raised DKr1.9bn from shareholders. This capital, however, has been lost within the space of two months, and the group said yesterday that it had net liabilities of DKr100m.

The deterioration has been caused in part by provisions against losses on the group's credit insurance business of DKr250m, and unrealised capital losses of DKr700m from its big shareholdings in Baltica and Skandia. There were also unrealised losses of DKr500m on shares and bonds because of falling prices on Danish markets.

The board statement said attempts to sell its Skandia and Baltica stakes had not yet been successful.

Skandia's share price fell by SKr6 to SKr71 because of uncertainty about the future of a combined shareholding of 39 per cent in Skandia held by Hafnia and Uni Storebrand. Uni Storebrand's shares fell 2.6 per cent to an all-time low.

Shares in banks which are big Hafnia creditors were particularly hard hit. Denmark's biggest banks, Den Danske Bank and Unidanmark, said they had claims on Hafnia of about DKr1.2bn and DKr450m.

The leading Danish banks and pension funds, the main owners of Hafnia, said they supported the reconstruction plan, although they risked losing hundreds of millions of kroner.

UN says 200,000 may be forced to flee north Bosnia

By Judy Dempsey in London and Roger Matthews in Washington

MORE THAN 200,000 people could be forced to flee northern Bosnia as a result of a renewed wave of Serb-inspired terror and intimidation in the region, officials from the United Nations High Commissioner for Refugees said yesterday.

The upsurge in "ethnic cleansing" taking place in the north of the former Yugoslav republic coincided with a US report concluding that Bosnia's Serbs have largely attained their goal of carving a greater Serbia out of Bosnia-Hercegovina.

The report, drawn up by two staff members of the Senate Foreign Relations Committee who travelled in the region between August 7 and 14, estimated that 35,000 people have died in Bosnia, with the Moslems bearing the heaviest toll of nearly five months of bloodshed and destruction.

It suggested that 20,000 or more deaths occurred during the forced evacuation of Moslem villages.

Senator Claiborne Pell, chairman of the committee, said he was deeply disturbed by the account which was the first US congressional report "to document the full extent of the horrors associated with the ethnic cleansing campaign being carried out by Serbs against the Moslem population of Bosnia-Hercegovina".

The report found that in some of the Serbian-run camps "prisoners have been systematically beaten and starved". In some locations there was evidence of "organised killing".

The authors assert that "systematic defects" at the UN and the State Department contributed to the slow international response to the human rights crisis.

As early as June reports of atrocities were reaching Washington from US diplomats, say the authors. "The UN apparently did nothing in response to the July 3 memo [noting the existence of camps] and the State Department did nothing to follow up on the information it was receiving from its missions."

According to their evidence, paramilitary groups from Serbia itself operate with impunity in Bosnia-Hercegovina and are among the most sadistic forces there.

"We believe the death toll associated with the forcible removal

Weekend 'Chetniks' on the warpath .... Page 2

Calls for debate on foreign crises rejected .... Page 8

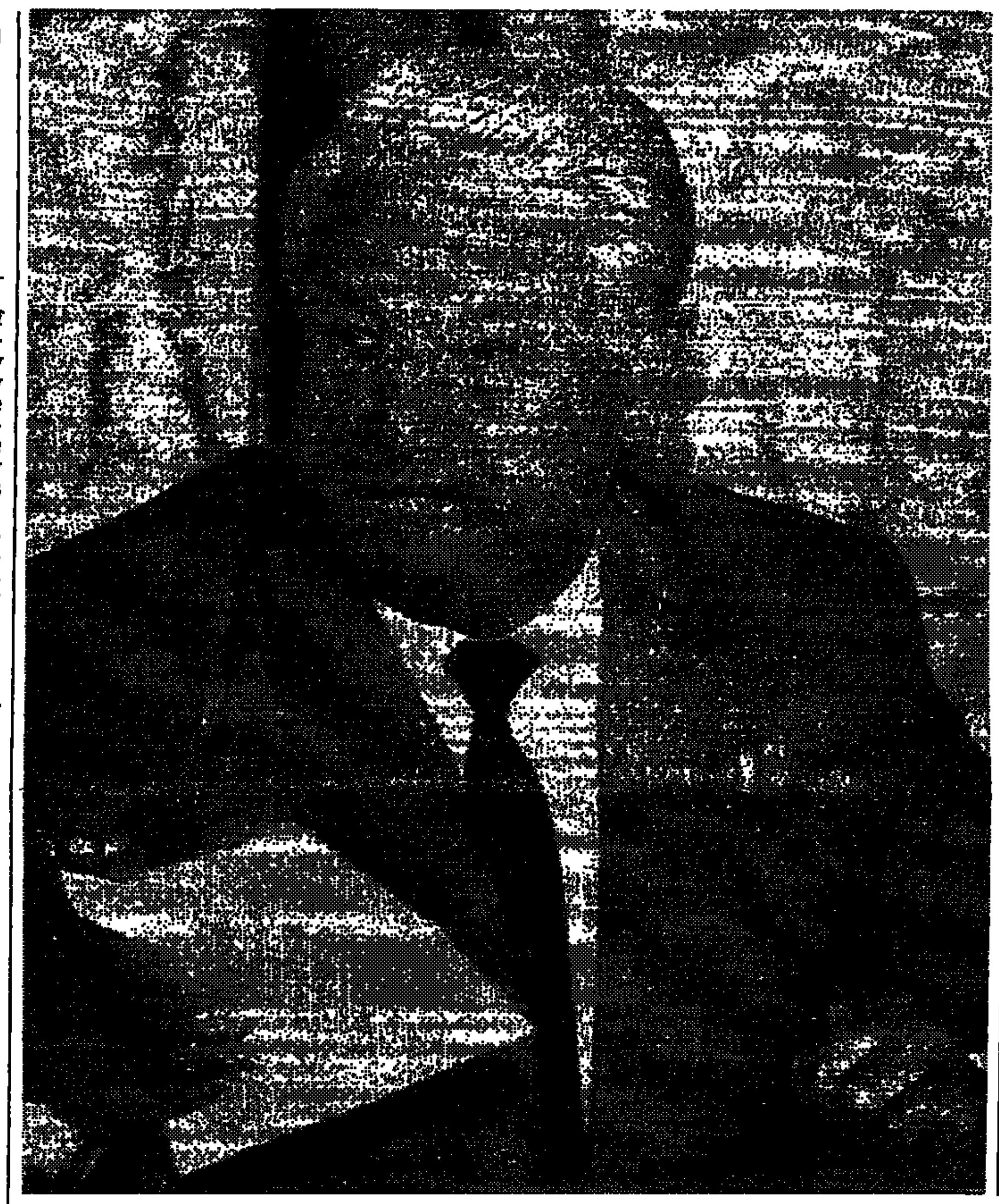
of the Moslem village population of Bosnia-Hercegovina far exceeds the death tolls from the bombardment of cities or from killings in prison camps. Unfortunately, this most lethal aspect of ethnic cleansing has received the least amount of public attention."

In light of the report, western diplomats yesterday said a decision announced on Tuesday night by Mr Radovan Karadzic, head of Bosnia's Serbs, to place Serb-controlled heavy artillery pieces located around the Bosnian capital of Sarajevo under UN supervision, was "too little too late".

They said Mr Karadzic was trying to revamp his image, severely dented following reports of Serb-run detention camps throughout Bosnia, before the UN/EC-sponsored conference on the former Yugoslavia in London next week.

In Zagreb, Mr Peter Kessler, for the UNHCR said "the

Continued on Page 14



President's message: Boris Yeltsin holds the text of his speech which was broadcast throughout Russia yesterday, the first anniversary of the abortive coup. He appealed to the Russian people to put up with painful market reforms and announced plans for all citizens to become property owners. Report, Page 14

Bush sets off talk of cabinet reshuffle

By Jurek Martin in Houston

MR NICHOLAS BRADY, the US treasury secretary, yesterday said he accepted that President George Bush would want to reshuffle his cabinet if he won a second term, but denied having talked to him about leaving.

His remarks were in response to speculation generated on Tuesday night when Mr Bush said in a television interview: "You'll see plenty of new faces, plenty of changes in this administration."

The instant assumption was that Mr Brady, Mr Richard Darman, the budget director, and Mr Michael Boskin, chairman of the council of economic advisers, would go. Their departure has long been demanded by right-wing Republicans dissatisfied with economic performance.

Only Mr Boskin has previously indicated a desire to leave his post, though Mr Brady insisted it was within Mr Bush's prerogative to make any changes he wanted and that a second term was a logical time to do so.

This was coupled to a report in the New York Times that Mr Bush was considering keeping Mr James Baker at the White House in a second term to serve as overall economic policy chief.

Mr Baker, secretary of state until Sunday when he becomes

Continued on Page 14

Convention reports, Page 5

Market watches Bush, Page 15

Weakening demand forces cuts at Ford's UK plants

By Kevin Done, Motor Industry Correspondent, in London

FORD, the leading vehicle maker in the UK, is cutting production at its three British assembly plants in response to disappointing sales in the UK and weakening demand from export markets.

It warned yesterday that there was no sign of any improvement in UK new car demand and said that it saw "no indication of any real recovery before mid-1993".

Depressed UK new car sales are being exacerbated by an accelerating rate of decline elsewhere in Europe led by a sharp drop in demand in Germany, the single biggest new car market in Europe.

According to industry estimates disclosed today, German new car sales fell by about 37 per cent in July from the record of a year ago, in the wake of reunification. As a result, overall west European new car sales dropped last month by 15.3 per cent. Sales have been lower than a year ago in four of the past five months.

Ford said its Dagenham, Essex, car assembly plant would work two three-day and two four-day weeks next month. Output of its Fiesta small car would be reduced by some 5,000 units.

Six production days will also be cut at Ford's Transit van plant at Southampton with one three-day week and four four-day weeks up to the end of next month. Output will be reduced by about 1,245 units.

Ford's Halewood, Merseyside, plant which produces the Escort/Orion range, has already been reduced to single-shift working for the last two weeks of August, cutting output by around 2,750 cars and small vans.

Rover, the second-placed UK vehicle maker, announced earlier this week that it was introducing a three-day week for five weeks on its Metro and Mini assembly line at its Longbridge, Birmingham, assembly plant.

The production cuts come as UK motor industry hopes of a recovery in demand in August, the main car sales month of the year, are fading fast. New car registrations so far this month are almost unchanged from last year's depressed level of 368,000 in the whole of August, and carmakers are having to cut production to reduce stock levels.

Ford has again been forced to revise downwards its forecast for UK new car sales for the whole of 1992. It fears that sales may be even lower than last year's very depressed level of 1.59m, the lowest total since 1982.

Overall UK new car sales have fallen by more than a third from the peak year of 1989, and sales in the first seven months of the year were still 4.3 per cent lower than a year ago.

Elsewhere in Europe Ford will have cut 38 production days (by end August) on its Sierra line at Genk, Belgium and 20 days on the Genk Transit van line. Some 51 production days have been cut at the small Azambuja, Portugal van and pick-up plant.

West European car sales, Page 2

CONTENTS

NEWS: EUROPE

Stagnating Germany fearful of recession

Frankfurt stock market hits a new low as unemployment rises

By Christopher Parkes in Bonn

AS the Frankfurt stock market index fell 8.5 points yesterday, posting a new low for the year, the Baden-Württemberg town of Gosheim lost 49 jobs.

Mr Hubert Hermle, boss of machine tool maker Berthold Hermle and paymaster to 749 people, says his order book is 42 per cent lower than a year ago. First-half sales have dropped 22 per cent. The whole works is being put on short-time until the end of the year, and 49 workers will have to go.

It seems insignificant compared to the 6,000 workforce reduction by the computer group, Siemens-Nixdorf, or the 89 per cent profits fall of engineering giant Mannesmann, but Mr Hermle's sorry report is only one of hundreds of similar cases over the past few months.

The main elements of the picture have been clear since the spring, when Volkswagen said it planned to shed 12,500 workers over five years. Then came Mercedes-Benz announcing 20,000 job losses, Porsche 850, and Hoesch, BMW and Grundig with 3,000 each.

After nine years of rapid, uninterrupted growth more than 3m new jobs have been created since 1983 the western German labour market has stopped expanding. Suspicions of stagnation, which stirred in the second half of last year have been confirmed and are turning to fears of a downturn.

The slimming-down process, has gathered pace. Gloomy profit forecasts have turned into even gloomier results among virtually all large groups, and the process has spread through the whole of industry.

Unemployment matches the 1988 level at 1.8m or 6 per cent. Unemployment in the engineering and electronics industries is 13 per cent. Almost 250,000 people are working short-time.

Continuing international recession, virtual stagnation at home, cramped public spending, falling consumer confidence, high interest rates and wages costs are all taking their toll. As the Westdeutsche Landesbank said in its latest report: "In recent months economic development has been moving above all in one direction: downwards and on a wide front".

The one variable currently within the control of industry is the payroll.

Managers who took on thousands of new workers on the strength of the unification boom, agreed inflationary wage demands in 1990 and 1991 for fear of losing output through strikes, and even this year granted an average 6 per cent plus increase, but they are now making economies.

The supervisory board of Lufthansa, DM542m (£192.1m) in the red in the first half, meets on August 31 to agree well-signalled job cuts and restructuring moves.

But there is also the chance of the odd green shoot. A pre-emptive offer last weekend from the DAG white-collar union to accept effective wage cuts of 8 per cent for cabin and ground crew, if everyone else did the same, prompted the airline's board to cut its own pay by 10 per cent.

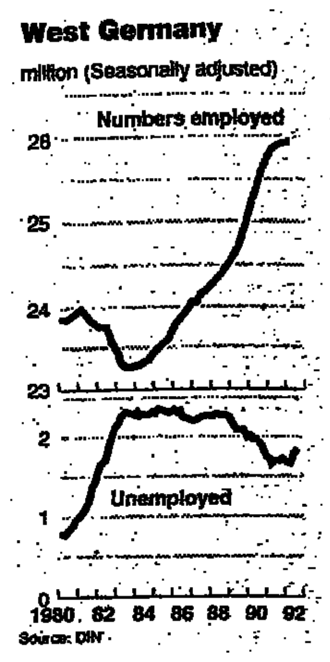
Lufthansa said the move was to show everyone had to "tighten their belt". DAG, which thought of the idea first, said "exceptional circumstances call for exceptional actions".

GERMAN economic growth will slow further in the third quarter of this year, the DIW economics institute said yesterday, writes Christopher Parkes. Real output, which fell by 1.5 per cent in the second three months, will drop another 0.5 per cent in the period ending September 30, it claimed.

Falling employment and reduced industrial order intake will lower consumer spending, and investment in the east of the country will suffer from the loss of management confidence.

Official figures for the second quarter are expected to be published in early October, although ministers have talked of a 1 per cent decline.

Exports are also on the way down, the institute said, because of weak investment abroad, lack of consumer confidence, the strength the the D-Mark against the US dollar, and high interest rates.



Industrial production in France falls 0.4%

By Alice Rawsthorn in Paris

FRENCH industrial production fell by 0.4 per cent in June, according to official figures, underlining the sluggish state of the economy. The main reason was the poor performance of the energy and construction sectors, where output fell by 1.37 per cent and 4.76 per cent respectively.

By contrast, output in the manufacturing sector fell only 0.08 per cent.

The June fall followed one of 1.6 per cent in May.

Many of the largest French industrial companies – including the Suez industrial group, Thomson-CSF in electronics, Publicis in advertising, Pernod-Ricard in drink and Lafarge Coppée in building materials – have recently announced reductions in interim turnover.

The decline in production is also reflected in rising unemployment and a fragile stock market. The CAC 40 Index fell again yesterday, for the second successive day, having fallen for most of last week, to close 0.14 per cent lower at 1,734.

● France's current account deficit fell to FFr1.92bn (£200m) in the first half of this year, its lowest level for six years, according to the finance ministry. This compares with a deficit of FFr31.11bn in the equivalent period of 1991.

The June deficit shrank to a seasonally adjusted FFr4.39bn, against a revised figure of FFr9.1bn for May.

Prisons hit as warders strike

By Alice Rawsthorn

MORE THAN 100 of France's 150 prisons were yesterday hit by a prison officers' strike called in protest against the murder last weekend of one of their colleagues by a prisoner at Rouen jail.

The prison authorities began negotiations with the officers' union to end the strike which started in Rouen on Tuesday and has since spread to other jails across France.

The talks over the officers' demands for tighter control of violent inmates lasted two and a half hours before being suspended.

There were outbreaks of violence at several jails yesterday. Police were called to two detention centres at Lyon, and a centre for young offenders at Fleury-Merogis, to stop a protest by inmates.

Riot police were also called in to restore order in the jails at Baumettes near Marseilles and Gardignan near Bordeaux after unrest by inmates.

Prisoners at Baumettes banged on their cell doors and hung burning rags out of windows in protest at the cancellation of their exercise period due to staff shortages.

The riot police arrived at Gardignan after an incident in which at least five cells were destroyed.

Czechoslovak share sale on course

By Ariane Genillard in Prague

THE multi-billion dollar distribution of state-owned assets is on track in Czechoslovakia despite political moves to dissolve the present federation.

More than 8.5m Czechoslovak citizens are taking part in the mass distribution programme which aims to turn over $9.9bn (£5.18bn) worth of state-owned equity to private shareholders.

Results of the second round of bidding, which ended on July 28, show that 56 per cent of all shares on offer have been allocated. Most enterprises will enter subsequent bidding rounds to re-offer their remaining shares, but 142 enterprises have finished their privatisation distribution.

These include Komercni Banka, the largest commercial bank in the country, which distributed 53 per cent of its shares. Ceska Sporitelna, the Czech Saving Bank, has distributed 37 per cent of its shares. Thirty per cent of all enterprises on offer were oversubscribed.

Czechs and Slovaks started bidding on May 18 for shares in 1,491 enterprises with vouchers which they bought for a nominal sum year earlier this year. The bidding process is expected to continue until the end of the year, with a third round due to start on August 26.

Serb and Croat POWs file past one another during a prisoner exchange in eastern Hercegovina

Should Nato be fearful of military involvement in Yugoslavia?

Weekend 'Chetniks' on the warpath

By Judy Dempsey

THROUGHOUT the capitals of western Europe, an unequivocal consensus has emerged over the past week: Europe must not get involved in the war in Bosnia-Hercegovina.

In London, Paris, The Hague and Rome, defence ministries and senior officers have repeatedly warned their governments that any large-scale military involvement in Bosnia would incur a high financial and human cost.

Western governments are even reluctant to provide any substantial military support to protect aid convoys. Moreover, the idea mooted at last month's Geneva conference on refugees concerning the establishment of security corridors in Bosnia has now been abandoned, as confirmed by Mr John Major, the British prime minister on Wednesday night.

Such deep reluctance begs the question of why western governments are so in awe of the Serb military machine in Bosnia-Hercegovina.

Officials at Nato yesterday tried to explain Europe's reluctance to become involved.

"First, Nato is not ready for such an operation. We have not fought in any war. But second, leaving aside the terrain, we don't know what kind of army, or how many armies we would be fighting in Bosnia," a Nato official said.

The Serb army in Bosnia inherited at least 500 artillery pieces, 300 tanks and 40,000 soldiers from the former Yugoslav army. It also took over an indigenous defence industry in Bosnia, a communications network and a senior officer corps handpicked by Serbian President Slobodan Milosevic. One of the key army commanders in Bosnia is General Ratko Mladic.

As former commander of the self-proclaimed Serb republic of Krajina, western Croatia, Gen Mladic helped to organise the Serb insurrection against the Croats in 1991. But four weeks after the European Community recognised the independence of Bosnia-Hercegovina last April, Mr Milosevic ordered Gen Mladic to take command of Sarajevo.

"This is the man who controls the formal army units," a UN official based in Belgrade said. "This is the man you negotiate ceasefires with."

However, Mr Charles Meynell, editor of the London-based East Europe Newsletter, says the former JNA units exist uncomfortably alongside bands of thugs and irregulars.

"Much of the professional officer corps of the JNA, including the most influential Serbian generals - many of whom have resigned - were, and are aghast at the mixture of Serbian hoodlums, criminals and "Ramboesque" drug-taking delinquents who have been so prominent in the ransacking of Bosnia," says Mr Meynell.

The low morale among sections of the army is partly confirmed by the recent resignation of Major General Vuk Obradovic, once considered a "hard-nosed" loyal Serb nationalist. "This is a measure of how disreputable the Serbian military machine has become," added Mr Meynell.

Apart from the army and the irregulars, parts of Bosnia is overrun by "weekend Chetniks."

Between Fridays and Sundays they cross the river Drina from Krajujevac, Nis and Valjevo in Serbia, and from Montenegro. Those captured say they have been paid DM500 a day for fighting in Bosnia. "These guys are well fed, nationalist and ready for a weekend's fight," said a UK Ministry of Defence adviser. "They wreak havoc."

But what is the combat effectiveness of such a two-tiered force?

"If you look at the way in which 45,000 Croat troops, managed to push back the Serb army from Mostar [the capital of western Hercegovina, in western Bosnia] between late May and early July, it begs the question why a combined western force cannot take on the Serbs in other parts of Bosnia," a western military attache said.

A Nato official noted that "The army is good at bombarding. And they still have the air-power. But it has no infantry. Look at how long it took them to flatten Vukovar? (the eastern Croatian city]. In some ways, apart from Mostar, the army, or the irregulars for that matter, have never been really tested," he said.

Unease in UK over Bosnia troops decision

By Philip Stephens, Political Editor

THERE WAS foreboding rather than celebration in Whitehall yesterday over Mr John Major's decision to send up to 1,800 troops to Bosnia.

Nor was there much optimism that next week's London conference would ease the pressures which forced the UK prime minister to reverse his long-standing opposition to the commitment of British ground forces.

Despite the sharp lines drawn around the commitment – the lightly-armed troops will operate under United Nations auspices, will escort only those convoys granted right of passage by the warring factions and may be withdrawn at any point – no one is sure that it does not mark the beginning of a much more perilous military entanglement.

Mr Major's sombre demeanour after a six-hour meeting on Tuesday with his senior ministers and military advisers signalled that he is as concerned as ever that British soldiers may be dragged into a bloody war which outside forces could not win.

He does not believe that the conflict can be solved by western military intervention. Talk of "surgical" air strikes to force an end to Serbian sieges of Bosnia's Moslem communities is rejected as "sheer fantasy". Many more innocent civilians than Serbian fighters would be killed, he believes.

British generals estimate that the other large-scale military option canvassed in an impatient media – that of criss-crossing the disputed territory with heavily-defended and permanent aid corridors – would involve up to 300,000 western troops.

"That is a war and no-one should fool themselves otherwise," Mr Major told his colleagues before resuming his Spanish holiday.

As Mr Douglas Hurd, the foreign secretary, emphasised yesterday, Britain's view that "in the end this is going to be settled; if it is going to be settled, by pressure and talks, talks and pressure".

But that will take time. The best that is hoped of next week's London peace conference is that it will increase the pressure by tightening the sanctions net on Serbia; and will set the framework for more talks by publicly committing the international community to the principles which must guide future negotiations.

Mr Major was acutely aware that such an outcome would not satisfy public opinion. The vivid television images of the suffering in Bosnia had begun to tarnish his political image at home and to threaten the authority of Britain's EC presidency.

At Tuesday's meeting he was presented with estimates from his advisers suggesting that up to two million civilians in the former Yugoslavia faced acute food and medical shortages this winter. As one senior minister put it: "Inaction was no longer an option".

So after a painstaking review of all the options the decision was taken that ground troops were needed to accelerate the humanitarian aid effort.

It was not a decision taken easily. Senior officials denied that the length of the meeting – which agreed also to send Tornado fighters to secure an air exclusion zone in southern Iraq – reflected a split. But they agreed that the prime minister had agonised over every detail.

Although the government insists that the troops, in blue berets, will travel only with convoys on routes negotiated by UN agencies, it acknowledges that they will return fire if attacked. If that happens the choice might be to commit still more troops or withdraw.

For the moment the opposition parties are backing the action. Mr John Smith, the Labour leader, offered his backing after a telephone call from the prime minister. Mr Paddy Ashdown, the Liberal Democrat leader, has repeatedly called for more determined action.

But Mr Major is astute enough to know that the public and political moods could change. In the appropriately brutal language of one senior Whitehall official yesterday: "What will opinion demand when the bodies start coming back?"

Georgians tighten grip on rebel city

By Steve Levine in Sukhumi

GEORGIAN troops yesterday tightened their hold on Sukhumi, the capital of the breakaway Black Sea resort region of Abkhazia, after three days of fighting left at least 50 people dead.

The streets of Sukhumi, which until Monday were filled with thousands of Russian holidaymakers, were littered yesterday with burnt-out tanks and downed trees.

Georgian troops were clearly in control, and although there were no civilian vehicles on the road, the population appeared relaxed, with old men and women smiling and waving at jeeploads of passing soldiers.

Georgian army Brig-Gen Zurad Nairashvili said Mr Vladislav Ardzinba, the deposed Abkhazian leader, was holed up in the town of Gudauta, 80km north of Sukhumi, protected by 1,500 men. There was no indication whether Mr Ardzinba would receive help from his ally, nearby Chechnya, which is an autonomous region within Russia.

"We shall fight until we win our freedom or they annihilate us," Mr Zarab Achba, a member of the Abkhazian parliament, told Itar-Tass news agency.

He was speaking from Gudauta, where many Abkhazian deputies fled as Georgian tanks and troops occupied Sukhumi on Tuesday.

Mr Achba said the deputies were organising "armed resistance to the occupying troops". But Mr Ardzinba is reported to have asked Mr Eduard Shevardnadze, the Georgian leader, to meet him on neutral ground.

Gen Nairashvili said the rebels had killed eight Georgian soldiers during Tuesday night and Wednesday morning, bringing the death toll in fighting to more than 50 since Monday, when 2,600 Georgian troops attacked Sukhumi after the Abkhaz parliament indicated it wanted to declare the republic, which is part of Georgia, an independent state.

Georgians emphasise that only 18 per cent of the population in the region is Abkhaz. "This would be like California trying to break off from the United States. Of course it should not be allowed," said a member of the Georgian National Guard who flew into Sukhumi last night.

The conflict has confronted the former Soviet foreign minister with his most serious political crisis since taking charge in Georgia five months ago. Ethnic feuds have racked the country for a year.

West European car sales decline by 15.3% in year

By Kevin Done, Motor Industry Correspondent

WESTERN EUROPEAN new car sales dropped by an estimated 15.3 per cent in July under the impact of a dramatic fall in new car sales in Germany, the single biggest European market.

Industry estimates reckon German new car sales plunged by about 37 per cent in July, to only 349,000 from 553,000 a year ago when demand was still at a record level in the wake of national unification.

The accelerating fall in German new car sales will ring alarm bells in the European car industry and is expected to force car makers to revise downwards their earlier forecasts for a decline of only 1 per cent in western European new car sales for all of 1992.

The trend in sales in the other big volume markets in Europe suggests that they will be unable to compensate for the fall in Germany.

Hopes for a recovery in the very depressed UK market have not been realised. Sales in July were 8.5 per cent lower than a year ago, and car makers appear to have accepted that demand in the crucial month of August, which accounts for more than a fifth of UK new car sales, will be little changed from last year.

At the same time, the European industry is becoming increasingly cautious about the outlook in France and Spain. Spanish new car sales in the first seven months were still 16.9 per cent higher than a year ago, but the rate of increase fell to 8.9 per cent in July, and car makers fear tightening economic measures will slow the recovery further.

Overall western European new car sales in July fell to about 1.13m from 1.33m a year ago. Demand was lower than a year ago in 10 of 17 markets across western Europe.

In the first seven months of the year, western European new car sales, at 8.5m, were 3.3 per cent lower than a year ago, led most importantly by an estimated fall of 14.4 per cent in Germany to 2.54m.

Renault, the French car maker, has gained most ground among the big six volume car makers with a 3.7 per cent jump in sales in the first seven months, increasing its share to 10.6 per cent from 9.9 per cent a year ago.

In July, it managed to hold its sales virtually unchanged from a year ago, in contrast to all its volume car rivals.

Despite the weakening German market, the Volkswagen group, which includes Audi, SEAT and Skoda, has consolidated its commanding overall lead. An estimated rise of 1.6 per cent in its sales volume in the first seven months has allowed it to raise its western European market share to a record 17.8 per cent, from 16.9 per cent a year ago.

Its lead has been strengthened by the waning fortunes of the Fiat group, whose sales have dropped by an estimated 8.7 per cent in the first seven months of the year. It is narrowly holding on to second place ahead of General Motors (Opel/Vauxhall) and the Peugeot group, which includes Citroën.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-July 1992

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jul 92	Share (%) Jan-Jul 91
TOTAL MARKET	8,467,000	−3.3	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	1,507,000	+1.6	17.8	16.9
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,052,000	−8.7	12.4	13.2
General Motors (Opel/Vauxhall, US# & Saab)	1,040,000	−6.3	12.3	12.5
– Opel/Vauxhall	995,000	−5.2	11.8	12.0
– Saab**	32,000	+1.7	0.4	0.4
Peugeot (incl. Citroen)	1,010,000	+1.9	11.9	11.3
Ford (Europe, US# & Jaguar)	964,000	−7.4	11.4	11.9
– Ford Europe	958,000	−7.3	11.3	11.8
– Jaguar	6,000	−18.1	0.1	0.1
Renault††	900,000	+3.7	10.6	9.9
BMW	280,000	+10.2	3.3	2.9
Nissan	268,000	−7.6	3.2	3.3
Mercedes-Benz	264,000	−8.6	3.1	3.3
Toyota	196,000	−15.1	2.3	2.6
Rover†	172,000	−16.3	2.0	2.4
Mazda	171,000	−10.5	2.0	2.2
Volvo††	129,000	+2.8	1.5	1.4
Honda†	107,000	−1.5	1.3	1.2
Mitsubishi	104,000	−19.3	1.2	1.5
Total Japanese	984,000	−9.5	11.6	12.4
MARKETS:				
Germany	2,536,000	−14.4	30.0	33.8
Italy	1,604,000	+4.1	18.9	17.8
France	1,216,000	+0.2	14.4	13.9
United Kingdom	802,000	−4.3	9.5	9.6
Spain	646,000	+16.9	7.7	6.3

#Cars imported from US and sold in western Europe
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source: Industry estimates

Portuguese interest rate cut

THE Bank of Portugal said yesterday it had cut its intervention rate by one percentage point to 16 per cent for lending to commercial banks, Reuter reports from Lisbon.

This second sharp cut in a month of the country's key interest rate follows last week's central bank announcement that all remaining controls on capital movements would be lifted by the end of 1992.

Economists agree that the three-stage lifting of restrictions on capital movements was bound to lead to a sharp fall in Portugal's high interest rates.

Mr José Tavares Moreira, who ended a three-year term as Governor of the Bank of Portugal in May, predicted on Monday that borrowing rates for good risk companies would fall four to five points to about 13 per cent by the end of this year.

The governor, Mr Miguel Beleza, declined to quantify the expected fall, but said Mr Tavares Moreira's estimate was "probably not far out."

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US calls truce in oilseeds row with EC

By Nancy Dunne in Washington

THE US has called a truce in its dispute with the EC over oilseeds subsidies and put off, at least temporarily, threats to levy $1bn (£500m) in sanctions against EC food and spirits.

Although the 60-day period for compensation talks under world trade rules has elapsed without agreement, the US has signalled its intention to go into further meetings with the EC early next month.

A "strongly worded" message was reported to have been sent to the EC this week. The US expressed its willingness to continue negotiations into September, but insisted that a swift solution be found.

The US oilseeds industry and Bush administration officials badly want a settlement. The threatened $1bn in sanctions, which would be likely to lead to retaliation, could set off a trade war that would prove fatal to businesses and the Uruguay Round.

But the US industry is insisting any agreement be in time to have an impact on European planting of its 1993 oilseeds. Much of that crop is planted in the autumn but officials believe agreement could be reached in time.

The American Soyabean Association (ASA), which brought the dispute to Gatt in 1987, yesterday was still urging the US Trade Representative to act without delay. In an alliance with producers of sunflower seeds and canola, another genus of oilseed, the ASA was preparing a letter to the administration expressing its "deep concern" about the lack of progress in the talks.

The ASA has won decisions by two dispute settlement panels. In 1989 and 1992, these found that EC oilseeds subsidies impair the duty-free status given soyabeans in negotiations three decades ago. "The deadline for negotiations under Article 28 is now past," said Ms Nancy Foster, an ASA official. "It is imperative the EC realise the US is serious. We won our case in 1989. Here we still are and talk, talk, talk has not redressed the injury".

In case the administration misses the domestic political significance of this, it is being pointed out that Governor Bill Clinton, President George Bush's Democratic opponent in the presidential election this year, has spoken out strongly on the issue. "If the EC is trying to stall, it should think twice before assuming it would get a better deal from him," an official said.

● Reuter adds from Brussels: Mr Ray MacSharry, EC farm commissioner, yesterday welcomed the US decision to refrain from activating a list of retaliatory tariffs. He praised the decision not to publish the hit list of $1bn of European wines, liqueurs, cheeses and other goods, saying the two sides would actively pursue talks on the issue. "It's in everybody's interests to find a solution and avert a trade war," Mr MacSharry declared.

Mexican meat could be Caribbean poison

Canute James on concerns that Mexico's presence in Nafta will undermine the region's economies

THE agreement which will link Mexico's economic destiny to that of its US and Canadian neighbours to the north is being regarded with more than slight discomfort by the countries in the Caribbean Basin. For the past year, there has been little doubt in the minds of Caribbean and Central American trade ministers that the region will be hurt by Mexico being part of the North American Free Trade Agreement.

Both the Canadian and US governments have been petitioned repeatedly to ensure some form of preferential treatment for the region.

Mr Brian Mulroney, Canadian prime minister, on a recent visit to Trinidad, offered countries in the region some comforting words: "The Caribbean countries will lose nothing but there will be greater competition in the North American market. What we would propose is to evaluate any impacts after a reasonable time, see what they are and, if there are any, try to accommodate them in meetings with the Caribbean leaders."

Jamaican garment worker: Faces shrinking prospects

The problem for the region is based on the fact that, for many years, it has survived through trade preferences. Most recently, 24 Caribbean and Central American countries have been benefiting from the Caribbean Basin Initiative (CBI), a trade programme offered by Washington, which selects countries which may ship a range of products to the US duty-free.

Several countries also benefit from a similar programme offered by Canada, while others have preferential access to the European Community market under the Lomé Convention. Mexico in Nafta threatens to remove the advantages of preferential entry to the US and Canada because small regional economies cannot compete with Mexico.

Business leaders and government officials in the region say they are already seeing the effects of Mexico's participation in Nafta. Investment decisions were delayed as the negotiations for Mexico's entry went on.

"The US is not yet willing to consider the likely impact of an expanded Nafta on the Caribbean Basin states, but says this will be reviewed in four to five years," says Ms Judith Bennett, a promotions officer with Jampro, Jamaica's economic development agency. "But, during this period, the Caribbean states will lose a large part of their industries, particularly agriculture and garments."

The region has made much of opportunities to expand exports of garments to the US in recent years. Although not allowed duty-free access under the CBI (a concession to the fears of the US domestic industry), countries in the Caribbean and Central America have been granted quotas under a programme in which US-made fabric is cut in US plants and then sent to the region for assembly, with duty paid on the added value on re-entry to the US.

The countries which have benefited from this $2bn-a-year industry have asked Washington to ensure that they are allowed duty-free entry to the Nafta when Mexico becomes a member. "If this does not happen, then we can tell this industry good-bye, and face the political price of the anger of the hundreds of thousands of women who work in the factories," said one official from the Dominican Republic.

The region's sugar exporters have also been worried at reports that Mexico could ship 1.5m tonnes of sugar a year to the US. This would amount to more than current US imports under quotas from 44 countries, many in the Caribbean.

There is general agreement in the region that one way to control the damage would be to join forces. But, for the Caribbean states, such co-operation has always been slow and difficult.

Mr Norman García, executive director of Fide, the Honduran export development agency, says the start of the Central American common market in January will allow its members more strength in dealing with Nafta. This should be followed by discussions with the Caribbean islands to create a wider economic union, he suggested.

"We must either get out of the way of Nafta, or follow," Mr García said. "We must follow Nafta. We have no alternative. The Caribbean Basin countries must first get together, and then talk to Nafta."

Mexico is expected to be admitted to the Asia-Pacific Economic Co-operation group (Apec), the 15-nation regional economic consultative body, officials at the South Korean foreign ministry said yesterday, AP-DJ reports from Seoul.

A ministry official said no objections to Mexico's membership were expected at the group's fourth ministerial meeting in Bangkok on September 10-11.

Apec is made up of Japan, China, Australia, New Zealand, Taiwan, Hong Kong, South Korea, the US, Canada, Indonesia, Malaysia, the Philippines, Thailand, Singapore and Brunei.

Bolivia in deal to supply Brazil with natural gas from 1995

BOLIVIA is to supply Brazil with natural gas from the start of 1995, under a preliminary agreement signed by President Fernando Collor of Brazil and President Jaime Paz Zamora of Bolivia, Christopher Philipsborn reports from La Paz.

The gas will run through a proposed pipeline from Santa Cruz Department in eastern Bolivia to Campinas, in São Paulo state, 2,000km away. The World Bank, the Inter-American Development Bank and Eximbank of Japan are said to be considering loans for part of the pipeline's $1.4bn (£730m) cost, with the rest to come from the private sector.

At first, 8m cubic metres of gas a day are planned to reach Brazil, rising to 16m cu m. Prices will vary with that of fuel oil, at first based on $0.90 per 1,000 cu ft at the wellhead, and $1.22 at the border.

The deal may help Brazil shift from dependence on poor-quality oil for making electricity. Most of the Bolivian gas will power part of the industrial and domestic demand for electricity in São Paulo.

Those worried about pollution from burning oil with high sulphur content to make electricity favour the gas alternative. Gas use by São Paulo industry is set to reach 35m cu m by the year 2000, possibly heralding a gas deal between Brazil and Argentina, which has an estimated 60bn cu mts of natural gas in its Salta reserves. For Bolivia, the deal could not come quickly enough. It was hard hit by the fall this year in the price of its gas sales to Argentina.

British Gas in Kazakhstan, see Commodities page

NEWS IN BRIEF

US to seek greater market access in talks with Beijing

American and Chinese trade officials yesterday began crucial talks in Beijing on US demands for greater market access, Nancy Dunne reports from Washington.

Mrs Carla Hills, the US trade representative, last month presented the Chinese government with a list of issues that must be resolved in the current negotiating session. Otherwise, she said, she will publish a list of potential sanctions and begin public hearings on them.

The talks come at a time when China's trade surplus with the US is rising sharply. The US international trade commission last week said the US trade deficit with China had climbed 67 per cent over the comparable period last year, rising from $2.2bn to $3.4bn. Apparel and footwear headed the list of US imports.

US exports to China in the first quarter rose almost 18 per cent to $1.6bn from the same period in the previous year. The leading export commodity was grains, which cannot be counted on to grow if Chinese production expands.

Leading the US team in China is Mr Ira Wolf, a new assistant US trade representative. Last month he told a Senate committee that he would try to resolve the dispute this month. He said thus far China's responses to US demands for greater market access have been "inadequate."

"The Chinese trade system is opaque and, in many instances, is run by the invisible hand of bureaucrats and through the use of secret directives and unfair practices," he said. "Like many Third World countries, China has erected multiple, overlapping non-tariff barriers."

Israel-China trade accord

Israel and China yesterday initialled a trade agreement that Israeli officials hope will facilitate increased exports of such items as electronic goods and farm equipment, Tony Walker writes from Jerusalem.

The agreement follows the establishment of formal relations in January and comes amid increased and diplomatic trade contacts between officials of the two countries.

Mr Zvi Koren, director-general of Israel's industry and trade ministry, said yesterday that the protocol would enable Israel to "enter the Chinese market directly and smoothly, without barriers." Israel's "visible" exports to China are expected to be worth about $30m this year, against imports of $4m. Israeli companies have also been involved in selling military equipment and know-how to China, but no official figures on these are published.

Much of Israel's trade with China has been routed through third countries. Lack of direct shipping routes has added to costs of trade. Mr Koren also announced that a "co-ordinating committee" would be established to deal with such issues as investment insurance, double taxation and copyright.

● El Al, Israel's national carrier, has announced it will begin direct once-weekly flights from Tel Aviv to Beijing next month.

Nissan in clutch venture

Atsugi Unisia, owned 33.1 per cent by Nissan Motor,plans to set up a joint venture in Shanghai to process clutch components, a spokesman for Atsugi Unisia said, Reuter reports from Tokyo.

The new company, Shanghai TAMP Autoparts, capitalised at $1.12m, is equally owned by Taipei-based Taiwan Atsugi Motor Parts Industrial (TAMP) and Shanghai Clutch Factory, a unit of Shanghai Automotive Industry Corp.

It will begin processing pressure plates of clutches in 1994 with a capacity of 2m units a month. Atsugi Unisia owns 30 per cent of TAMP and the rest is owned by Taiwan investors.

The Chinese joint venture, which will begin trial output in September 1993, will create 50 new jobs in 1993, increasing to 90 by 1997, the spokesman said.

Most of the products to be made by the Shanghai venture will be exported to TAMP and some will be sold in China. The joint venture is expected to export products to Japan in the future, the spokesman added.

Record Suez earnings

The Suez Canal earned Egypt a record $1.85bn in the 1991-92 fiscal year compared with $1.77bn the year before, its chief executive said in an interview due to be broadcast at the weekend, Reuter reports from Cairo. Mr Ezzat Adel, chairman of the Suez Canal Authority, told the London-based Middle East Broadcasting Centre that last year's revenue was the highest in the canal's 123-year history. The 195km (120 mile) canal is one of Egypt's biggest foreign currency earners.

Peres calls for 'meaningful' Arab talks

By Tony Walker in Jerusalem and Lamis Andoni in Amman

MR SHIMON Peres, Israel's foreign minister, said yesterday the Israeli government was committed to a "meaningful dialogue" with its Arab neighbours and wanted to move quickly to deal with issues of substance.

He also said it would be "tragic" if Arab participants did not join constructively in Middle East peace talks due to resume early next week in Washington.

Arab officials were due to meet in Damascus yesterday to discuss tactics for the sixth round of talks since the US-sponsored Middle East peace effort was launched in Madrid last October.

Mr Peres said it was a "tragic mistake on the part of the Arabs to appear negative, demanding, conditioning, postponing". He urged the Palestinians in particular to join Israel in the search for peace without delay.

Mr Yitzhak Rabin, Israel's new prime minister, has called for an interim self rule agreement with the Palestinians within 12 months, and elections for a "self-governing authority" in the West Bank and Gaza by next April. However, he infuriated Palestinians last week when he said that Israel was pressing ahead with 11,000 homes already under construction in the territories.

Palestinian officials threatened to postpone participation in the Washington talks in protest at President Bush's decision to release billions of dollars in loan guarantees to Israel without securing agreement for a complete freeze on Jewish settlements.

"We are seeking a unified Arab stand to demand US clarification on the deal and guarantees of a complete freezing of all settlements on all Arab occupied lands, including Jerusalem, before the start of the August 24 talks," Mr Yassir Abed Rabbo, a senior PLO official said in Amman.

The PLO has indicated it will instruct the Palestinian delegation not to negotiate Palestinian autonomy without unequivocal Israeli commitment to stop all settlement buildings.

The Palestinians will also demand clarifications from the Israel and the US on the status of East Jerusalem. The US has stipulated that the holy city be discussed later. But the Palestinians are demanding that it be dealt with as part of the occupied territories at all stages of the peace talks.

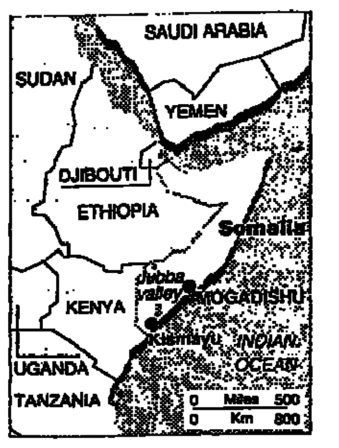
Food and sanity disappear in Somalia

Money is the master and the gun is law in a country which is dying on its feet, writes **Julian Ozanne**

A COCKY teenager with a bazooka and G-3 machine-gun slung over his shoulder, pushes a wheelbarrow down a dusty street in Kismayo, the southern port city of Somalia. His T-shirt says "I AM THE BOSS". Inside the wheelbarrow are two sacks of looted grain marked "USA".

He passes starving mothers and children in the street and then walks past the Kismayo General Hospital where yesterday morning Abdishakur Abdulahi, a 27-year-old worker, was admitted after a bullet passed through his arm and entered his chest. The hospital has no painkillers, no anti-biotics and no X-Ray machine.

"One guy shot me on the street this morning, I don't know why, maybe because I am a different clan," said Mr Adbulahi, lying in a hospital bed with flies buzzing around his blood-soaked bandages.



"There is no photo so where the bullet is nobody knows but I am feeling it inside my chest. Many people like me are dying for lack of money to buy medicines in the market."

Kismayo, which has changed hands several times during the 20-month civil war, is under gun law. The hospital receives at least 25 serious bullet wounds a day.

The gunfire and looting have stalled efforts to feed at least 175,000 hungry people in the town and a further 100,000 in the surrounding Juba Valley.

"The security situation is very bad for relief efforts," said Mr Fabio Baiardi, the Kismayo administrator of the Red Cross. "There are too many guns. I think the only hope is for the UN blue-berets to come and restore order."

At the town's gun bazaar, traders sell bullets, firing pins and grenades, set out on a wooden stall. Prices are up, but thirty rounds of ammunition for a machine gun cost $14 (£7.30) and a grenade goes for $2.70. "Money is the master. You can get anything here," said one gun seller.

Vicious internecine clan warfare in Kismayo accounts for many of the town's gun-battles. Yesterday, gunmen from the Habir Gidir clan pointed automatic rifles at Red Cross workers in Kismayo airport as they tried to evacuate 45 members of the mijeerteen clan on an aircraft flying to Garowe, a northern Somali town controlled by the mijeerteen tribe.

Twelve of the mijeerteen group were abducted by the Habir Gidir gunmen. By yesterday afternoon their whereabouts or condition was unknown.

Looting is another severe problem. Yesterday, two people were shot dead at the airport in squabbles over food airlifted into Kismayo. On Sunday, offloading of 3,000 tonnes of sorghum on a UN-chartered ship at Kismayo harbour was suspended after gunmen looted 300 barrels containing 60,000 litres of diesel and up to 600 tonnes of food.

"I hear the merchants don't like it when free food comes into town because it forces the prices down," said Captain John Sorrenson, the skipper of the UN ship. At least 1600 tonnes of food remain on board, waiting for the UN to reach agreement with the dissolute warlords who control the city.

Nearby, more than 12,000 people have constructed a squalid squatter camp known as "Hotel Wammo". Up to 100 people a day are arriving at the camp, mostly from the Lower and Upper Juba Valley between Gobweyn and Saco Uen. Most of the new arrivals are bantu people, who used to work on plantations that are now destroyed. Everything they owned has been looted by Somali gunmen. "They are always the last to get food because they have no allies in the Somali clan war," said Mr Gean Metenier, Kismayo's Unicef representative.

Many have walked up to 300km on foot to Kismayo in search of food. Elders at the camp said seven children were dying a day.

Just outside the camp three men carry the rigid body of a ten-year-old boy to an open graveyard in what was once the city's rubbish dump.

Seven scrawny Maribu Storks, which feed off carrion, perch on the sandy mounds of graves watching the simple burial ceremony. The boy's father places the body in the grave and then puts oil-drum lids on top of the body to prevent the scavenger birds digging it up. The stomach-wrenching smell of decomposing flesh hangs heavily in the air.

Three teenagers with bandoliers of bullets and machine guns are standing against a crumbling sandstone wall chuckling together. "That's Somalia," said a Somali Unicef official. "We have lost all our morals and even our sanity."

Japan's investors unmoved by bank support measures

By Emiko Terazono in Tokyo

JAPANESE investors were yesterday unmoved by government efforts to restore confidence in the markets, as reaction to an emergency package on Tuesday was generally muted.

Investors remained unconvinced that the government's support measures would help either the financial system or the depressed stock market. The Nikkei average of the leading 225 shares, which fell to a six-year low on Tuesday, managed to recoup only 341.33 points to 14,650.74, largely attributable to a technical recovery.

Mr Tsutomu Hata, finance minister, announced measures to curb the sale of shares by banks as a means to ease pressure on the stock market.

The Tokyo financial community was surprised by Mr Hata's admission of the severity of the problems facing Japan's economy and financial markets. However, a lack of concrete measures to solve the problems of non-performing loans discouraged many businessmen.

Low volume on the stock market yesterday indicated an underlying market scepticism. Traders noted that private investors remained on the sidelines; institutions, the market's main investors, also maintained a neutral stance.

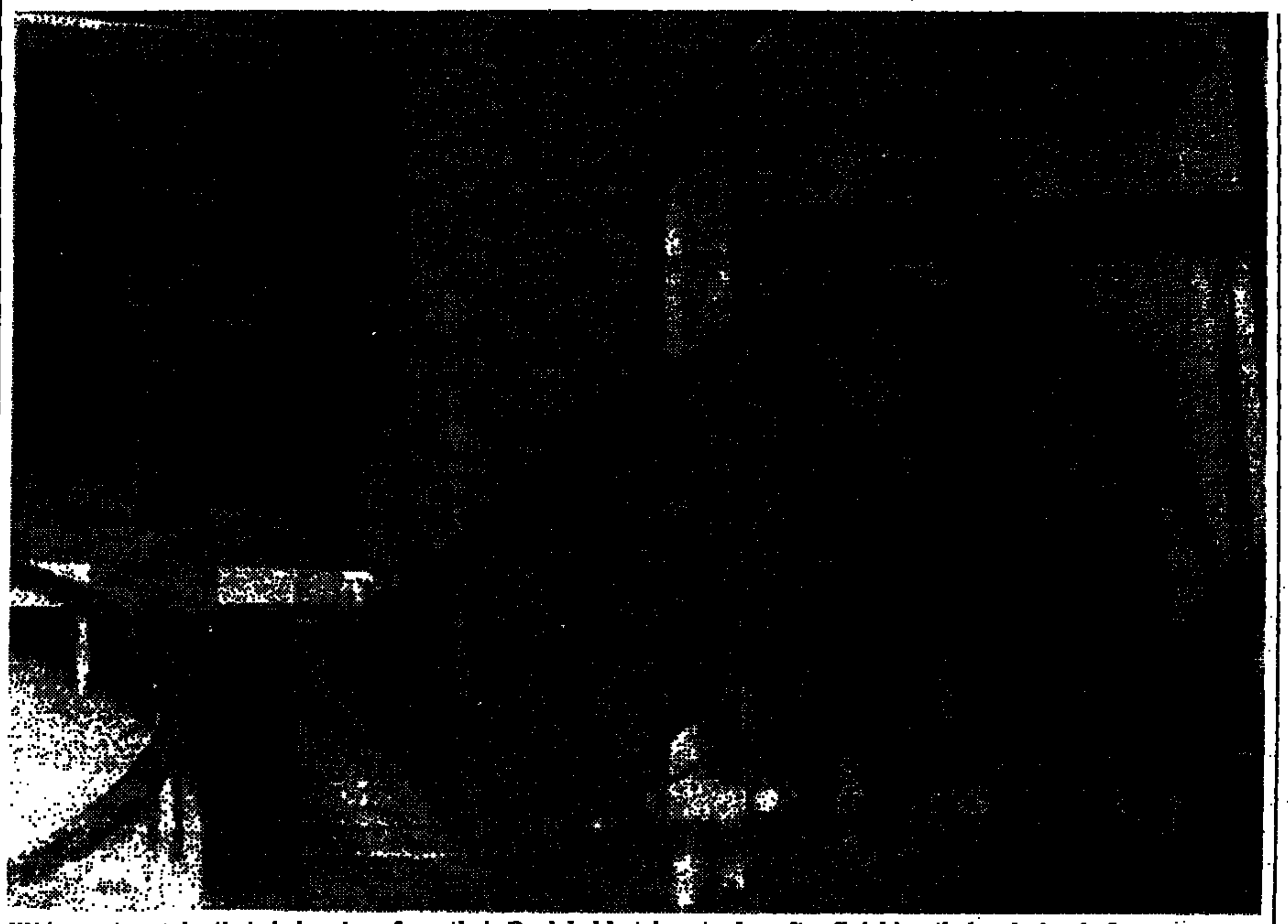
"We're not in a hurry to buy," said an official at Nippon Life, the country's leading life assurance company. "There will be plenty of chances in the near future," he added, implying that the market had further to fall.

Prospects for an early market recovery remain bleak because of fears that corporate earnings will stay depressed in this fiscal year. "We haven't hit bottom yet. The market could go to as low as 12,000," said Mr Jason James, strategist at brokers James Capel.

Investors now await the government's package of fiscal measures, including a supplementary budget, which is expected to inject Y6,000bn (£24.7bn) to Y8,000bn into the economy.

Mr Yasushi Mieno, governor of the Bank of Japan, expressed support for the finance ministry's emergency package. He said the central bank intended to back the ministry's efforts by ensuring price stability and maintaining credit order.

Mr Mieno, who had been reluctant to comment on movements in the stock market, expressed concern over the effect of sliding share prices on corporate sentiment. He said that lower stock prices had affected the country's economy and banking system.



UN inspectors take their belongings from their Baghdad hotel yesterday after finishing their mission in Iraq

Destruction of centuries-old culture □ Marshland home threatened

Iraqi Shias suffer systematic repression

By Roger Matthews in Washington

THE decision by the US, Britain and France to impose an air exclusion zone over southern Iraq was made against a background of persistent repression of the Shia population which accounts for more than half the country's estimated 18.5m population.

For nearly 18 months their suffering at the hands of Saddam Hussein's regime in Baghdad has been well known to the western intelligence community and reported on by the few correspondents who had access to the region.

Mr Max van der Stoel, special rapporteur of the commission on human rights at the UN, issued a devastating report earlier this year on the measures which had been taken against the Shia and followed up last week with a further statement to the Security Council which drew particular attention to the Marsh Arabs.

What has emerged is the all-too-familiar pattern of events through which Saddam Hussein has sought to control dissident ethnic and religious groups opposed to Baghdad. The fate of the Shia in the south has been less well publicised than the struggles of the Kurds in the north, in part because of their religious affinity with the regime in Tehran and the sensitivities of the governments in Saudi Arabia, Kuwait and Bahrain.

In his original report, Mr van der Stoel pointed to the systematic destruction of the centuries-old culture of the southern Shia, the desecration of buildings and graves, and the the disappearance of clergy. In 1970 he estimated there were up to 9,000 clergy in the city of Najaf alone. There were only 800 remaining before the start of the Gulf War. After the 1991 uprising of those 800 almost all were under arrest or had disappeared. The report estimated that in addition to widespread executions and torture, some 150,000 people may have been arrested, of whom some 15,000 came from Najaf.

While that repression continues unabated, Mr van der Stoel has drawn attention to an increased threat to the Marsh Arabs who live in the network of island and waterways to the north and west of Basra, an area of outstanding natural beauty. He reported that he has a videotape of Iraqi generals being instructed to "wipe out" three specific Marsh Arab tribes who are referred to as an "un-Iraqi" people. Reports since early July of a military build-up in the south, bombardments of civilian areas and flights by fixed-wing aircraft suggested that this policy might be close to being implemented.

In addition, many Marsh Arabs were being forcibly relocated in a way which recalled similar operations among the Kurdish population in the late 1980s. And the report to the Security Council indicated that perhaps the gravest long-term threat was the "Third River Project" which would drain huge areas, destroy the natural habitat and force out remaining centres of population.

Ground laid for Kashmir talks

By Shiraz Sidhva in New Delhi

TALKS between India and Pakistan ended on an optimistic note yesterday. Both sides agreed to discuss Kashmir and signed two agreements on the prohibition of chemical weapons and a code of conduct for diplomats in the two countries.

Mr Shaharyar Khan, Pakistan's foreign secretary, described the sixth round of secretary-level talks as the "most productive" so far, saying that agreement "on the need to address the Jammu and Kashmir issue" was "in itself a step forward."

Mr R L Bhatia, Indian minister of state for external affairs, yesterday told parliament that the Indian government believed dialogue with Pakistan was essential to "lower temperatures" between the two neighbours. However, he pointed out that while India was willing to discuss all matters with Pakistan, "meaningful discussions on bilateral issues, specially on more complex questions" could only be held once Pakistan "stopped its support to terrorism and subversion in Jammu and Kashmir and Punjab".

Categorically denying that Pakistan was fuelling terrorism in Kashmir, Mr Khan said that his country also faced a problem of terrorism in Sindh because of the free availability of arms. He suggested a joint approach to the problem.

Mr Khan said that the wishes of the Kashmiri people would also be taken into consideration. When asked if Pakistan would agree to the option of an independent Kashmir, the foreign secretary said that a framework of the UN resolution already existed, implying that this was not an option.

Although the confidence-building measures between the two countries have been more successful this time than before, foreign affairs experts in India are sceptical the sides will be able to hold meaningful talks on Kashmir, which has been the main obstacle to peace in the sub-continent for 47 years.

India's external debt may reach $93bn in five years

INDIA'S external debt will rise to $93bn (£48.6bn) in five years from $74bn now, mostly because of increased foreign aid, the World Bank said in an annual confidential report to India's aid donors, Reuter reports from New Delhi.The bank said India would need about $10bn a year for the next five years to finance the current account deficit, repay its debt and increase foreign exchange reserves.

India's current account deficit in 1992-93 is expected to double to $6bn from $3bn the previous year mostly due to the lifting of import curbs, the report said.

The curbs were imposed in April 1991 when India was in the throes of a severe balance of payments crisis, amid caste and religious strife and political upheaval. Foreign bankers refused to extend new loans.

The crisis forced Delhi to borrow $2.2bn from the International Monetary Fund and embark on a reform programme.

"Despite the large (debt) repayments, the substantial inflow of official assistance required to support the adjustment programme would raise India's external debt. . .to $93bn in 1996-97," the report said.

It said much of the aid to India in the past had not been used because of bureaucratic logjams and the government's inability to raise matching funds for projects.

Foreign investment has had a small role in India. It averaged $200m-$300m a year from 1985-90, as opposed to $700m to $1bn a year in Indonesia, $1bn to $2bn in Thailand and Brazil and $2bn to $3bn in China.

Kabul seeks UN help

AFGHAN troops appeared to have advanced yesterday in an offensive against rebels besieging the capital as the government appealed for UN aid for Kabul's beleaguered population, **Reuter reports from Islamabad.**

However, a spokesman for the dissident Hezb-e-Islami said the fighting had reached a stalemate. Pakistan yesterday assured Afghanistan's government that it was not arming guerrillas attacking Kabul.

UN officials were trying to arrange the evacuation of about 230 diplomats and their families from Kabul.

South African rugby boycott called off

The African National Congress yesterday sought to defuse racial tension between whites and blacks in South Africa when it dropped its threat to call off Saturday's rugby match between Australia and the South African national team in Cape Town, **writes Patti Waldmeir in Johannesburg.**

MiG order cancelled

Zimbabwe has cancelled a $400m (£209m) order for Russian MiG-29 fighters because of a lessening of tension between it and South Africa, **Reuter reports from Harare.**

Cambodia powerless to prevent plundering of its forests

Victor Mallet on the factions that are selling a nation's timber as fast as they can to raise cash ahead of planned elections

ON the roads leading south from the Cambodian capital, Phnom Penh, the logs seem to be everywhere: heaped in timber yards, lying on the verges, stacked in lorries or rumbling along slowly, one by one, on carts drawn by water buffalo.

These days there are few large trees within sight of the roads. Shrugging off the risk of landmines, Cambodian peasants have brought the hardwood logs from the hills in the distance. Timber unsuitable or too small for the sawmill is sold as firewood or baked into charcoal in roadside kilns.

There is no sign here of the Cambodian "environmental ceasefire" urgently recommended by a report prepared for the UN in April. Instead, the world's timber merchants have taken advantage of the power vacuum in Cambodia to indulge in a frenzy of deforestation all over the country.

The report estimates that legal and illegal exports in 1992 will reach about 1.15m cubic metres, more than four times the probable sustainable yield of 250,000 cubic metres. It also blames deforestation for flash floods a year ago and for the siltation of rivers and lakes.

"Following the signing of the Paris peace accords in October 1991, an unprecedented period of 'asset stripping' has begun in the forestry sector that is having a potentially catastrophic effect on Cambodia's remaining forest stocks and will further aggravate on-going degradation to the resource bases of both lowland agriculture and fisheries," the report says.

Cambodia's plight is made worse by the fact that neighbouring Thailand, Vietnam and Laos, after damaging their own forests, have imposed logging bans. "People are forced to come to Cambodia to get their logs," says Mr Rajeev Pillay of the United Nations Development Programme (UNDP) in Phnom Penh.

The loggers can count on the inability of the Vietnamese-installed, lame duck administration to enforce such laws as there are. They can also depend on the eagerness of guerrilla factions to make the most of border territory they control before they yield their authority to the UN, in accordance with the peace plan leading to elections next year.

Khmer Rouge guerrillas in western Cambodia and their foreign business partners - are among the worst offenders. "Is there anything wrong with buying wood from Cambodia?" a Thai buyer on the border was quoted by Reuters as saying recently. "Or do you just want us to sit idle and allow the Singaporeans and Japanese to come in and take it all before the election?"

The report, prepared for the Earth Summit, identified Thailand, Vietnam, Malaysia, Singapore, Taiwan, Japan and France as buyers of Cambodian timber.

Nor have Cambodians failed to notice the accelerating deforestation of their homeland. The report says some refugees have been disoriented on returning home by denuded forested areas made "as bald as a monk's head". However, it will be difficult to translate their concern into action until an effective government is in power.

Prince Norodom Sihanouk, head of the transitional Supreme National Council, which embraces the four main Cambodian factions, emphasised the urgency of his country's environmental problems when he addressed a donors' conference in Tokyo in June.

Shortly afterwards, Funcinpec, the royalist party, announced a complete logging ban in its territory, although Funcinpec officials acknowledge that their logging interests are less significant than those of other factions. "The amount is very little compared to Phnom Penh (the Hun Sen government) and the Khmer Rouge," said Mr Ek Sereywath.

The Hun Sen administration has established an environmental committee but continues to sell timber, which is one of its few sources of income. The Khmer People's National Liberation Front has split into two factions – one civilian and one military – and the civilian leadership says it cannot stop the military officers from behaving "like wood-eating termites" and selling trees.

The Khmer Rouge, while refusing to co-operate with the UN and put its forces into cantonment areas, appears to be selling timber and gems as fast it can to increase its financial reserves.

Dr Than Sina, one of Prince Sihanouk's palace advisors, says everyone is too busy with other matters to pay attention to the environment. "The question of cantonment, the question of the Khmer Rouge, has overcast the whole issue. I think it's a matter of setting priorities for the future. I don't think anything can be done right now."

Without an effective military ceasefire in Cambodia, the chances of imposing an environmental ceasefire remain exceptionally slim.

Political past and future of Vice-President Dan Quayle are examined by **Jurek Martin**

The enigmatic endurance of a small potatoe

IF THE truth be told, the political future of Dan Quayle does not lie in the vice-president's own hands. It rests now, as it has for the last four years, with George Bush, and the president's patronage is not infinite.

If the Republican ticket loses in November, Mr Quayle will be cut adrift, just one runner, and not the antepost favourite, in the long race for the 1996 nomination. If it wins, the odds against him will be shorter but the same contest, perhaps more covert, will be joined – and with an adversary like James Baker operating under cover and with the president's ear.

THE REPUBLICAN PARTY CONVENTION IN HOUSTON

Mr Quayle may have the most thankless job in government, but only one outranks it. As it currently stands, the best chance he has of promotion is if Mr Bush is physically unable to continue in office. Everything else is a roll of the dice.

These have been four rough years for J Danforth Quayle, surprisingly plucked from relative obscurity in the Senate to run with Mr Bush, horribly battered in the 1988 campaign, and a butt for Democrats and the nation's comedians ever since.

It has not helped that from time to time Mr Quayle has contributed to the impression his intellectual capabilities might be lacking, of which the inability to spell potato was just the latest in a fairly long line (he encouraged a schoolchild to spell it "potatoe"). Nor has it helped that Mr Baker discreetly makes no bones of his belief the vice-president is as much out of his depth now as he was in 1988.

The net result is found in the polls. The Washington Post/ABC survey last month found him viewed negatively by 63 per cent, and positively by a mere 26 per cent. Its poll of delegates to this convention found 70 per cent believing Mr Bush's chances would be improved by dropping him.

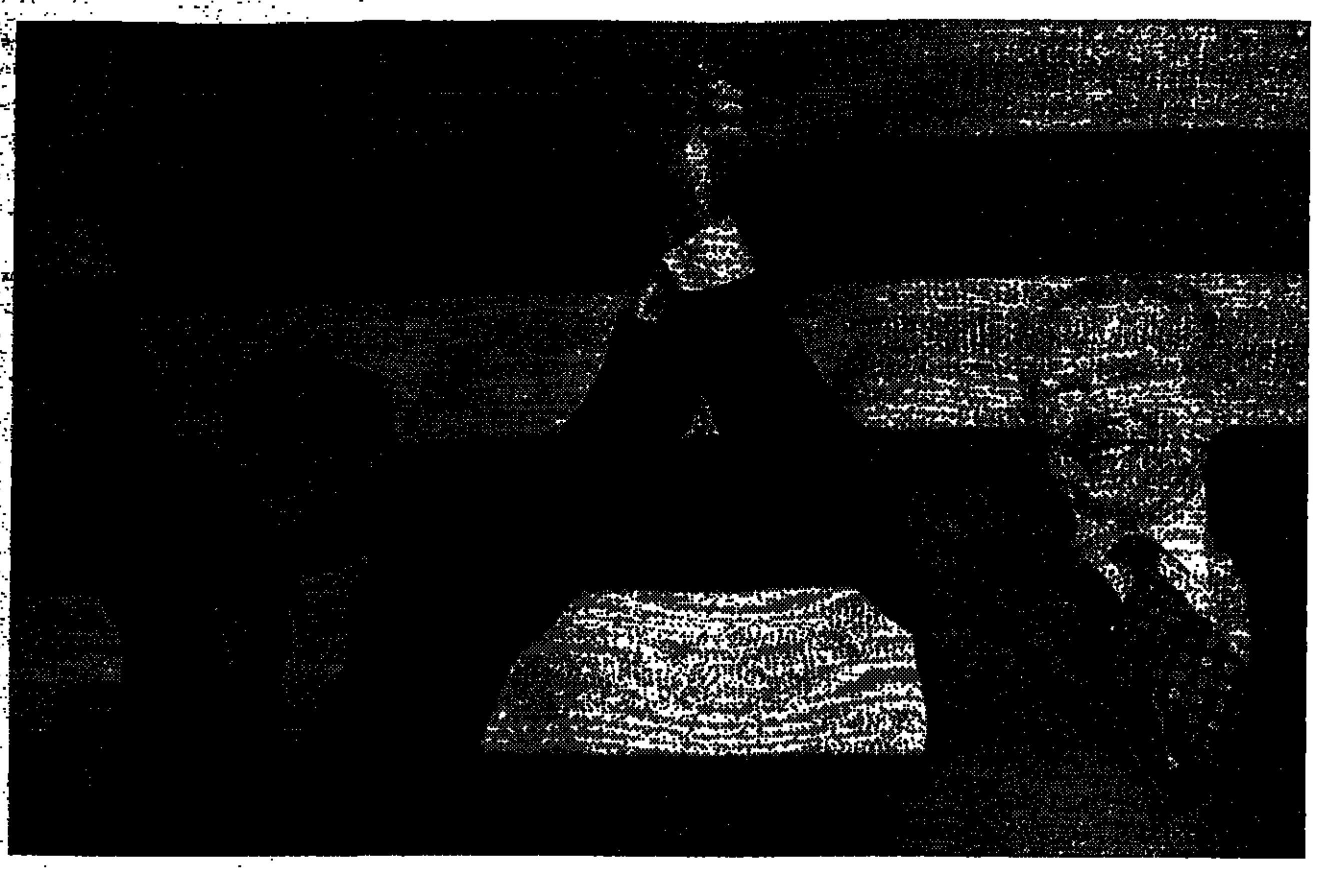
Yet Mr Quayle has endured, and not only because of the president's charity. In an administration which increasingly seemed to be distancing itself from the Reagan legacy, his office and his capable staff emerged as the back door through which the true believing conservatives could still enter and hope to influence policy from the inside.

The vice-president, long popular with grassroots conservatives, became something of the darling of the Washington right-wing establishment. As recently as last month it was commonplace to read columns that the real weakness of the Bush administration was not Mr Quayle, whose place on the ticket seemed uncertain, but the president himself.

A year ago, when a Bush-Quayle victory seemed so certain, a determined effort was made to prove that the vice-president was indeed a man of substance. Two of the most eminent journalists on the Washington Post, no less, were given remarkable access to Mr Quayle, resulting in a series of articles that indeed portrayed him in a rather flattering light, beyond a tendency to lose his temper on the golf course. Other interviews, including one with the FT, were solicited.

The net result is that the vice-president seems more confident and is obviously far better equipped to debate with Senator Al Gore, the Democratic running mate, than he was in 1988 to go up against Senator Lloyd Bentsen, who cut him up ruthlessly with an unfavourable comparison of Mr Quayle to John Kennedy. Yet that confidence often seems fragile. Last month he seemed to equivocate on his opposition to abortion. Even his acceptance speech in Houston is in part designed to redefine his own image by dispelling the notion he had a privileged childhood that, inter alia, helped him avoid military service.

In the campaign itself, Mr Quayle knows he is again going to be confined to second banana, playing the small-town conservative heartland, securing Mr Bush's base. This is the dutiful role, and Mr Quayle is a dutiful man, but it does not offer much chance to make more of an independent name for himself. Others are going for that shot on the right. Some, such as Jack Kemp, William Weld and possibly Phil Gramm, have made their pitches to this convention for conservatism with a less absolute face, while the Pat Buchanan purity card has again been played. James Baker and Dick Cheney, to name but two, lie in wait. Dan Quayle is still playing in a tough school.



Dan Quayle (left) and television evangelist Pat Robertson wave to supporters at a God and Country rally in Houston

Bush condemned to deliver the speech of his life

By Jurek Martin

THERE is a hyperbolic trap that journalists and politicians fall into all too easily. It is the tendency to describe a speech to be given by a particular politician as the most important that person will ever deliver.

In the popular American imagination the big speech becomes a litmus test of purpose, toughness, leadership. It is often, these days, imbued with the muscular qualities which admiring Americans profess to see in Prime Minister's question time in the British House of Commons.

These are the "big speech" expectations that President George Bush and Vice-President Dan Quayle are expected to live up to tonight in their acceptance addresses. Four years ago the fighting speech Mr Bush gave to the New Orleans convention was considered an important step on his way to the White House; this time its content is supposed to provide the "vision thing" he is normally so poor at supplying.

As Congressman Vin Weber, the articulate conservative from Minnesota, said: "The most important thing he has to do is to give the American people reason to believe his second term will be worth voting for." Newspapers, liberal as well as conservative, write the same every other day.

This has not been a bad year for political speeches in the US. Governor Bill Clinton gave a fine one on race in New Orleans in April, although a poor one to his own convention last month.

Governor Mario Cuomo of New York, savagely witty, and former Congresswoman Barbara Jordan, regally professorial, turned on their oratorical skills in New York.

This week in Houston Mr Ronald Reagan and Mr Pat Buchanan have come up with stemwinders, although of a very different nature. The former president was perhaps kinder and gentler than in his "evil empire" days. But the touches, the self-deprecating humour – "I knew Thomas Jefferson" – and the evocation of a finer nation were, well, Reaganesque. Mr Jack Kemp, the housing secretary, laid down his own effective marker on Tuesday night.

But, in the end, does "the speech" matter that much? The great addresses to Democratic conventions used frequently to be given by Senator Edward Kennedy, and he never made it all the way.

On the Republican side Mr Reagan had to give a lot of good speeches before he ascended in 1980.

If there have been words that have determined the outcome of elections, they have often not been contained in speeches. Three presidential debates – in 1960, 1976 and 1980 – mattered far more in defining to the general public the character and capabilities of candidates. The chaos of Chicago in 1968, exemplified by the soundless swearwords coming out of the mouth of Mayor Richard Daley, damned the Democrats

Not that that matters for Mr Bush tonight. He is condemned to give "the speech of his life." Nothing less will do.

Hawkers against hedonism

By Matthew Kaminski in Houston

THE LATE President Calvin Coolidge once said: "The business of America is business." Mr Coolidge was a Republican.

This entrepreneurial thinking is much in evidence at the American Spirit Pavilion, a hall next door this week to the convention site, where traders hawk a great range of political paraphernalia, leftward leanings excluded.

The most popular items, of course, are things to be pinned or put on. The pins, buttons and T-shirts this year are deeply derisive of Governor Bill Clinton, who is portrayed as a womanising, draft-dodging scoundrel.

But negativity does not rule the whole roost. One trader said his hottest-selling button was a pink badge reading: "Year of the Woman '92", price $1. Be that as it may, one of the more noticeable buttons at the convention itself says: "If Hillary Can't Trust Him, How Can We?"

For the erudite, a publisher in the pavilion is offering the best-selling "Millie's Book", Barbara Bush's diary of the White House's most renowned dog ($9.75 paperback, $17.95 hardback).

Another hot book is "What's Cooking With The Republicans" ($9.98), which is full of GOP luminaries' favourite dishes. Vice-President Dan Quayle reveals his romantic strain with Shrimp and Wine Spaghetti Sauce for Two. The right-wing Congressman Newt Gingrich, the "Georgia Bulldog" himself, shares his Newt's Fruit concoction.

Supping across the party divide for a change, there's "What's Cooking with the Democrats", featuring the secret recipe for Beer Roast provided by the former House Speaker Mr "Tip" O'Neil, an Irish-American liberal whom Republicans still love to hate.

The Republicans say they won the Cold War, and they have brought back trophies: Next to pieces of the Berlin Wall ($5 a time), there is a classic Russian Matrushka doll – for $125, the lucky consumer can discover, one within another, the last five Republican presidents in the same doll. Even Richard Nixon is included, but can be found nowhere else in Houston, except as a facemask on some demonstrators.

□ □ □

Succeeding convention sessions so far have been less eventful than the first, but wordsmiths still can find plenty to chew on.

The trick is to come up with as many turns of phrase to describe Democratic profligacy as possible and not sound redundant. Governor Tommy Thompson of Wisconsin punched home: "The only change the Democrats want is the change in your pocket."

Mr Gingrich, the House whip, wields a broader brush. He blamed not only high taxes but also violent crime, decadent moral values, the welfare state, Fidel Castro, and declining competitiveness on Democratic "multi-cultural nihilistic hedonism."

US trade deficit down 7.7%

By Nancy Dunne in Washington

THE US merchandise trade deficit fell 7.7 per cent in June to $6.59bn, the Commerce Department reported yesterday, providing a modest fillip to President George Bush and his fellow Republicans at their current party convention in Houston.

The administration hailed the 7.2 per cent rise in exports to a record $38.3bn as a vindication of Mr Bush's trade policies. However, imports were also a record, at $44.9bn, and more than 40 per cent of the increased exports was due to a volatile component, foreign sales of civilian aircraft, which rose by $1.1bn during the month to $2.57bn.

For the first six months of 1992, the adjusted trade deficit totalled $35.5bn, compared with $30.5bn in the equivalent period last year.

The higher export figure reflected increasing foreign sales of capital goods, industrial supplies and materials, vehicles, parts and engines, foods, feeds and beverages, and consumer goods.

Although the rise in exports might not be sustained, foreign sales continue to provide the best news in the sluggish US recovery. The administration will use export growth to try to win voters over to the newly negotiated North American Free Trade agreement with Canada and Mexico.

In June, the US ran a trade surplus of $334m with Mexico and a $440.6m deficit with Canada.

Politics breaches Brazil's austerity

By Bill Hinchberger in São Paulo

THE ATTEMPT by Mr Marcilio Marques Moreira, Brazilian economy minister, to defend fiscal austerity by resisting political patronage appears to be wilting under the crisis bedevilling President Fernando Collor.

The minister has agreed to release the equivalent of about $400m in credits for building cheap housing and sanitation projects, at the request of Mr Ricardo Fiuza, social action minister. He is one of several ministers from the conservative Liberal Front Party (PFL), the main source of political support for Mr Collor, who might face impeachment over corruption allegations.

The PFL has been seeking reward for its support, especially since the party's image, and its chances in municipal elections in October, has taken a beating because of its clear relationship with the increasingly unpopular president.

Mr Eduardo Suplicy of the opposition Workers' Party (PT) called the release of credits "an attempt by the federal government to please the legislators whot provide its base of support, to ensure that they will vote against impeachment."

The strategy of funding public works could be a powerful lobbying card for Mr Collor, against whom there would be no impeachment proceedings if a third or more of Congress demurs. However, Mr Moreira, whose presence gives the administration credibility at home and abroad, especially in business and finance, had stubbornly resisted pressure to open the coffers.

PFL support across the country, though, is not solid. An influential PFL state governor has broken with Mr Collor, and other governors have said the 86 PFL federal representatives should have a free vote on the impeachment issue. "The public demonstrations are making legislators think twice about their stand on impeachment," said Mr Suplicy.

Such protests continue, mostly in the main cities of São Paulo and Rio de Janeiro.

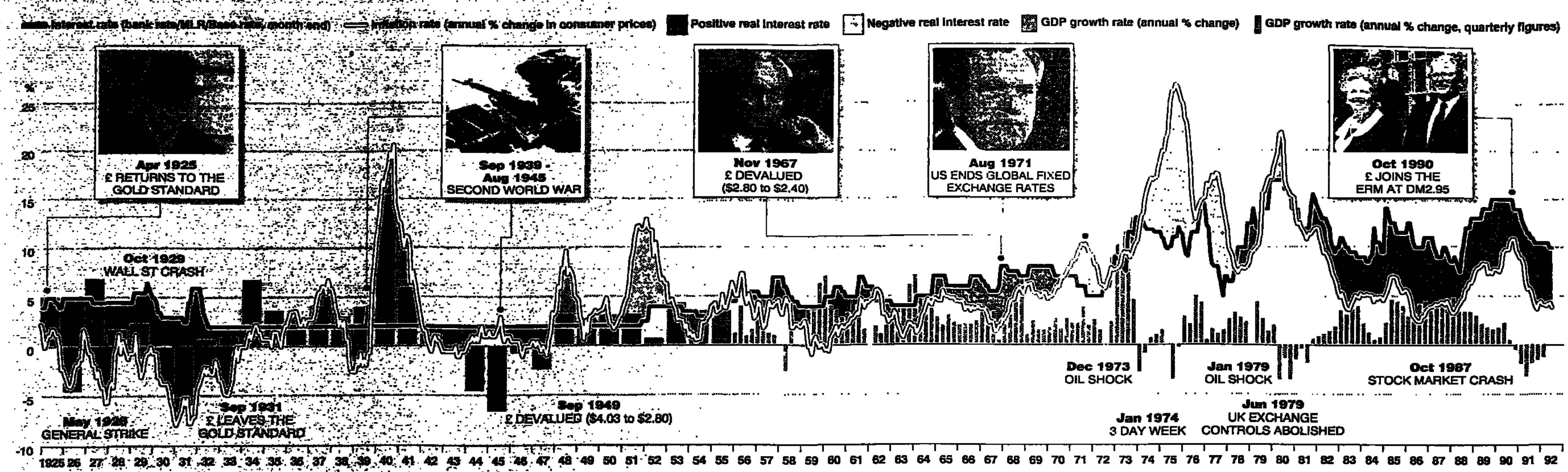
Cuba 'will sign' N-treaty

CUBA said yesterday it was ready to sign a Latin American treaty prohibiting nuclear weapons in the region, if other countries there did the same, Reuter reports from Havana.

Mr Pedro Núñez Mósquera, director of multilateral affairs at the Cuban foreign ministry, told the news agency Prensa Latina: "We are ready to sign for the sake of Latin American unity." He said Cuba had remained outside the 1967 Tlatelolco Treaty as it did not want to renounce the right to possess arms needed for its defence.

This position was justified because of a policy of hostility by the US against the island and the continuing presence of a US military base in eastern Cuba at Guantánamo Bay.

UK real interest rates since 1925: a growing sense of déjà vu



Source: CSO, The Economist - 'One Hundred Years of Economic Statistics', Datastream

Britain is finally paying the price...falling inflation has left the economy facing higher real interest rates at this stage of the economic cycle than at any time since the 1930s

BRITAIN IS finally paying the price for the inflation of the 1970s.

The economy is struggling to get out of a two-year recession burdened by heavy debts and the highest level of real interest rates at this stage of an economic cycle since the 1930s.

Real interest rates have been at exceptionally high levels throughout the past decade, as the chart shows.

The build-up of consumer and corporate debt in the second half of the 1980s occurred even though the real cost of servicing these debts was higher than at any time in Britain's post-war history.

The chart tracks the short-term nominal interest rate – "bank rate", then "minimum lending rate" and finally "base rate" – and consumer price inflation since the UK rejoined the Gold Standard in 1925. The difference between the two lines represents the real interest rate.

The dark shade represents periods when the real interest rate was positive and the light shade when real interest rates were negative – when interest paid on outstanding debt was less than the reduction in the real value of that debt caused by inflation. The bars show the annual rate of economic growth over the same period.

The return to positive real interest rates in the 1980s was the direct result of the turbulence of the previous decade.

Britain has known periods of negative real interest rates during and after both world wars, but negative real interest rates were almost unknown in peacetime before the 1970s. After the 1973 oil shock, depositors saw the real value of their savings destroyed as inflation soared.

Companies and individuals that had accumulated debts prior to the 1974 property crash saw the real value of their debts diminish as interest rates failed to keep pace with inflation.

Saving appeared to be foolish and borrowing the path to prosperity, a belief that lingered throughout the 1980s, not just in Britain but also in the US, Australia and Canada.

Companies and individuals increased their borrowing, encouraged by rapid increases in nominal asset prices and the easier credit allowed by financial deregulation.

Nominal interest rates were quite high in the face of rapid credit growth, but the government had bailed debtors out in the past. The assumption presumably was that they would do so again.

In Britain, however, the government has not kept its side of this implicit bargain. Rather than allow inflation to accelerate in 1988, the government raised interest rates, albeit too late to prevent the cost of borrowing rising to double figures.

By joining the European Community's exchange rate mechanism in late 1990, the government has also prevented itself from cutting interest rates further, just as it did in the late 1920s. The government has been able to cut interest rates by a total of five percentage points since October 1990 but nominal interest rates remain in double figures, much higher than in the other industrialised countries which have heavily indebted private sectors.

The real interest rate in June this year was 6.1 per cent.

This was below its 1980s peak of 9 per cent in January 1985 but higher than in any year since March 1932, prior to the 1980s.

As inflation falls, real interest rates may well rise further. But in January 1981, when the last recovery was beginning, the real interest rate was only 1 per cent.

Real rates did not rise above 6 per cent until January 1983, the ninth quarter of recovery. In the previous recession, in the mid-1970s, real interest rates were negative, falling to a trough of minus 16.1 per cent in June 1975. But that was when all the trouble began.

Edward Balls

Additional research by Keith Fray.

Economists plumb depths of recession

Emma Tucker encounters differing opinions on the long-term health and prospects of the economy

THE news yesterday that gross domestic product (GDP), excluding oil and gas extraction, rose by 0.1 per cent in the second quarter signalled the technical end to the recession in non-oil output. But few will dare trumpet yesterday's statistics as evidence that good times are here again.

According to one US definition, it takes only two successive quarters of falling GDP to take an economy into recession and only only one of rising output – however slim – to mark the end.

But some economists think the length of the current recession, and the poor outlook for growth, makes it an economic depression.

There is no widely-accepted technical point at which a recession becomes a depression. The Central Statistical Office has no official definition, but a spokesman offered an anecdotal warning – "A recession is when you lose your job; a depression is when I lose mine."

Most economists agree that a depression represents a recession of exceptional depth or duration. The usual association is with the economic downturn of the early 1930s, the only depression this century to have affected the UK.

GDP fell by 0.11 per cent in 1930 and by 5.49 per cent in 1931, followed by growth of less than one per cent in 1932 and 1933. Unemployment rose to a peak of 15.3 per cent in 1932 before resuming a downward path the following year. Prices fell by almost eight per cent and did not begin to rise again until early 1934.

In the current recession the statistics are not so grim:

- GDP has fallen by 4.2 per cent over eight quarters, but with an upwards blip in the third quarter of 1991. Non-oil GDP has fallen 4.3 per cent over seven quarters;
- Prices are still rising, although asset prices have fallen significantly. Retail prices rose by 3.7 per cent in the 12 months to July and producer price inflation was 3.4 per cent over the same period;
- Unemployment was 9.7 per cent in July, but the number of people out of work and claiming benefit is climbing every month and many forecasters expect it to reach 3m some time next year. This would take the rate of unemployment to around 10.6 per cent.

"A recession is when you lose your job; a depression is when I lose mine."

Although the figures show the current recession is not as deep as the depression in the 1930s, or indeed as deep as the recession at the beginning of the 1980s, the economy faces constraints that did not exist to hold back the recovery in the 1930s.

In 1931, when Britain abandoned the Gold Standard, the government was able to cut interest rates. But Britain's recent commitment to the European exchange rate mechanism means it is no longer an option.

The effect of high real interest rates is compounded this time by the high levels of consumer debt, particularly in the depressed housing market. Unless real interest rates fall soon, the UK economy is unlikely to produce anything more than sluggish growth over the next two years, taking the current downturn nearer to 1930s style proportions.

Professor Robert Skidelsky, the historian and biographer of John Maynard Keynes, says this means we may be approaching a second depression. "Obviously if the situation continues and there is no output recovery for another year and unemployment keeps on increasing, you would be perfectly entitled to talk about this recession as a depression," he says.

Even if growth does resume, it is unlikely to return to its long-term trend rate of a little over 2 per cent a year for some time. So it would be possible to have growth, and a technical end to the recession, in an otherwise depressed economy.

This may well be the scenario facing the UK. GDP fell by 2.4 per cent in 1991 and is forecast to fall by 0.5 per cent this year. Even if growth resumed trend levels next year, it will be at least 1994 before the output lost in this recession is recovered.

It could be that neither slump, nor recession are fair characterisations of the current situation. It is not a slump, because the fall in output and the level of unemployment do not yet compare with the high levels of the 1930s. But it is more than a normal recession because output remains depressed, there is no strong recovery in sight and unemployment is likely to remain high for longer than would normally be expected.

Britain in the 1920s is, perhaps, a better comparison to make. During the 1920s unemployment hovered between seven and ten per cent with, on the whole, feeble growth levels.

Similarly the UK, because of its adherence to the Gold Standard, was locked into fixed exchange rates and in order to protect sterling was unable to lower base rates.

According to Mr Skidelsky Keynes had his own word to describe the situation – a semi-slump. The government will be hoping for more than a semi-recovery, but this time they appear committed to achieving it without taking the 1931 option of leaving the fixed exchange rate system.

Figures underline poor demand

By James Blitz

THE WEAK state of consumer demand was underlined yesterday in government figures showing that retail sales volumes were 0.3 per cent lower in July than in June.

The seasonally adjusted figures showed people were still refraining from spending in most categories of store and the small upturn after the Conservatives' election victory in April was short-lived.

Spending on food fell for the second consecutive month, while spending in shops selling food and other goods fell to its lowest volume for six months. The only sector of retailing to show a monthly increase was clothing and footwear.

The picture is lightened by the underlying trend. Retail sales showed a rise of 0.3 per cent over the three months ending on July 31, compared to the previous three months. In the three months to the end of July volumes were up 0.5 per cent compared with the corresponding period last year.

Between May and July spending in food shops increased 0.5 per cent compared with the previous three months. Spending in shops which sell food and other items showed a 0.7 per cent fall on a quarterly basis. Spending in the non-food sector rose 0.5 per cent in the past three months. Sales of household goods were down 1 per cent in this period.

NEWS: UK

Calls for debate on foreign crises rejected

By Philip Stephens, Political Editor

THE government yesterday rejected demands that Britain's new military commitments in Iraq and Bosnia should be followed by the recall of parliament so that MPs could debate the foreign crises.

The demands came as ministers privately acknowledged that the conflicts in both regions might bring pressure for still further military commitments over the next few months.

Mr Paddy Ashdown, the leader of the centrist Liberal Democrat party, voiced doubts about the legal basis of the proposed air exclusion in southern Iraq, while Mr George Foulkes, foreign affairs spokesman for the opposition Labour party, said the issue must be debated by MPs.

But aides of Mr John Smith, the new Labour party leader, signalled that he would not press Mr John Major to bring back MPs for an emergency debate.

Mr Smith was said to support both the despatch of Tornado fighters to protect the Shia communities in southern Iraq and the limited use of ground troops to defend UN aid convoys in to Bosnia.

Mr Douglas Hurd, the foreign secretary, was joined yesterday by Mr Malcolm Rifkind, the defence secretary, in emphasising again that the proposed force of up to 1,800 troops could be withdrawn from Bosnia if the security situation deteriorated.

But privately senior ministers were voicing concern that the force, which will operate under the auspices of the UN, could quickly become embroiled in the conflict. Mr Hurd acknowledged that their rules of engagement would allow them to return fire if attacked.

It will be some weeks before they reach Bosnia. The contingent will probably be drawn from one of the British army battalions currently based in Germany and equipped with Warrior armoured personnel carriers.

Officials said that the contingent of six Tornado ground attack and reconnaissance aircraft and two VC-10 refuelling tankers would reach the Gulf within days.

They are expected to be based at Dhahran in Saudi Arabia or in Bahrain.

Mr Rifkind emphasised that the action by the US, France and Britain was covered fully by existing United Nations resolutions. He said that it was hoped that the Baghdad regime would avoid conflict by grounding all flights in the zone.

In private, however, ministers said that the move could prompt president Saddam Hussein to step up ground-based attacks on the Shia communities. That in turn would prompt further western military involvement.

Shipyards compete for QE2 repair contracts

By Jimmy Burns

CUNARD has set a deadline of tomorrow for bids from US and European shipyards to carry out substantial repairs to the company's flagship the Queen Elizabeth 2, which ran aground off Cape Cod, Massachusetts 12 days ago.

Further details showing the scale of damage sustained by the liner emerged yesterday. Cunard had expected the earliest resumption of service to be September 29 but marine experts now believe that the damage could put the liner out of service at least until the middle of October.

Mr William Coughlin, for General Ship Corporation, in whose Boston shipyard the QE2 is now docked, said last night the damage included 400ft of punctures and cracks along the keel, and fractured fuel and ballast tanks. The bilge keel on the port side, which stabilises the ship, had been "badly bent."

General Ship Corporation is one of several shipyards believed to have bid for the repair work. Dutch, Spanish, Portuguese and German yards are also thought to have put in bids.

Cunard and its main insurer Commercial Union said the size of the eventual insurance claim would depend on further assessments of the repair costs and lost passenger revenue.

Out of service: the QE2 is likely to be in dry dock until October

Lloyd's wins case against US Names

By Richard Lapper

LLOYD'S OF London has scored a decisive victory in its legal battle with dissident US Names.

In the US District Court for the southern district of New York on Tuesday, Judge Morris Lasker dismissed a case brought by some 100 Names. The Names, individuals whose assets support underwriting at the insurance market, alleged that Lloyd's and the agents had breached US Securities laws when they were recruited.

The Names, who were represented by New York-based lawyers, Proskauer Rose Mendelson & Goetz, started the action, the biggest involving North Americans, last year.

Judge Lasker ruled, however, that the proper legal forum for any dispute between the Names and Lloyd's was the English courts.

Barclays contests Maxwell ruling

By Raymond Hughes, Law Courts Correspondent

BARCLAYS Bank is to appeal against the High Court's refusal last month to grant it an injunction stopping the administrators of Maxwell Communication Corporation suing it in the US bankruptcy court for $30m (£15.5m).

Barclays said yesterday: "We see this as a UK matter which should be heard, if anywhere, in a UK court."

The bank received the money, which it had demanded under an overdraft facility it had given MCC, three weeks after the death of Robert Maxwell in November last year.

Price Waterhouse, the administrators, contended that the payment was an unlawful preference over the claims of other MCC creditors, and asserted the right to sue for it in New York, where MCC is in Chapter 11 bankruptcy.

Barclays argued that the English court was the natural forum for trial of the dispute because the overdraft facility was an English commercial transaction, governed by English law, to provide working capital for an English company and its UK subsidiaries.

Mr Justice Hoffmann said that, though a English company, MCC's principal assets – estimated at between $700m and $1bn – were in the US, and the $30m had been paid to Barclays out of the proceeds of the sale of the computer publishing division of Macmillan, MCC's principal US subsidiary.

He added that an injunction could only antagonise the US court and prejudice the co-operation between the Chapter 11 proceedings and UK administration.

Airlines urged to fund rescues

A NEW fund to protect customers of failed scheduled airlines should be financed by an increase in air transport licence fees rather than a supplement paid by passengers, the Civil Aviation Authority has said in a letter to industry representatives, writes Michael Skapinker.

The CAA says variations in ticket prices would make it difficult to provide passengers with cash refunds when airlines failed. Instead, the CAA envisages asking other airlines to honour the tickets of failed carriers, in return for an agreed proportion of the usual fare from the new fund.

The proposals are outlined in a letter from the CAA to airlines and trade bodies, following the announcement last March by Mr Malcolm Rifkind, the then transport secretary, that the government intended to establish the fund.

Mr Rifkind said protection for scheduled service passengers would be limited to those using UK airlines. There are already arrangements, administered by the CAA, to protect air charter passengers.

The CAA says it is opposed to the accumulation of a large fund, as investment income would be taxable. It envisages a fund of less than £10m – equivalent to about 25p per passenger over a full year. If the fund were exhausted it could be replenished by a levy and borrowing.

The CAA says that the fund is unlikely to be set until after the 1993-94 parliamentary session. It says it will consider the views of industry before making its recommendations.

Britain in brief

Inquiry on newspaper distribution

The Office of Fair Trading has asked the Monopolies and Mergers Commission to investigate the wholesale distribution of national newspapers in England and Wales, after complaints from independent retailers and MPs that current practices restrict competition.

The OFT said it was particularly concerned about barriers to entry into retail newspaper sales. The major wholesale suppliers are currently able to refuse supplying daily and Sunday newspapers to shopkeepers who wish to set up new retail outlets.

Sir Bryan Carsberg, OFT director general, said: "I always view cases of refusal to supply with concern." The MMC would be expected to report to the trade and industry secretary in a year's time.

Pressure grows on exam policy

The government is expected to face renewed pressure to broaden the post-16 school curriculum, despite a record number of A levels sat and awarded this year.

The principal examination for school leavers entering higher education in England, Wales and Northern Ireland attracted 730,000 entries, a rise of 4.5 per cent. The results, sent to schools and colleges yesterday, showed a record overall pass rate of 79.6 per cent. A sharp decline in maths and science subjects at the expense of social and business studies will renew calls for a broader and more balanced curriculum.

Merger activity in decline

Spending on UK merger and acquisition activity declined to £1.8bn in the second quarter of this year, compared with £2.1bn in the first quarter and £1.5bn in the second quarter last year, according to figures from the Central Statistical Office.

There were 104 transactions, including 21 valued at over £10m. The largest transaction was valued at £534m.

BA crew threaten strike

British Airways cabin crew, members of the TGWU union, said yesterday they would press ahead with their programme of one-day strikes affecting European and domestic services.

Crew will also vote on whether to take action short of strike action.

The decision, by about 500 crew based in Manchester and Birmingham, comes as the airline threatened to suspend crew on no pay if they strike again. It follows an improved offer from BA of about £1,000 to settle the dispute.

Employees buy bus company

Northern Counties, one of UK's leading manufacturers of bus bodies, has been bought by its employees for £1.9m, 15 months after going into administration under Grant Thornton, the accountancy firm.

The company, which was founded in 1919 and acquired by Greater Manchester Passenger Transport Executive in 1985, is based in Wigan and has a workforce of 240.

Paper job losses

ARJO Wiggins Appleton, the paper maker, is to shed 210 jobs at its Cardiff mill. It blamed a fall in the price of paper and overcapacity in the industry.

Appeal on college strike

The government has appealed to members of Nalgo, the staff union, in polytechnics and colleges of higher eduction not to follow their union's call for a one day strike in protest against a 4.3 per cent pay offer because it coincides with the release of exam results.

MANAGEMENT: MARKETING AND ADVERTISING

The art of seduction

Money spent on packaging can go a long way, reports Gary Mead

Seducing customers into buying your product and building a loyalty from that initial purchase are key marketing problems.

Few steps are more important in that seduction than getting the packaging right. Ugly, old-fashioned presentation can ruin a brand or newly launched product; first impressions are critical.

But packaging designers in particular are fast learning that in a recession they need to demonstrate the commercial, bottom-line value of their work; cosmetic skills alone are not enough.

The traditional UK jam and marmalade market has been in steady long-term decline - down from 109,000 tonnes in 1984 to 89,500 tonnes in 1991. In the 1980s healthier, lower-sugar diets became fashionable, product innovation seemed limited, preserves manufacturers waged price wars, and own-label preserves took market share from brands. All that left little room for lavish promotional spending.

The only growth niche seemed to be in low-sugar preserves, but consumers were turned off by unconventional tastes and textures.

Chivers Hartley, a division of Premier Brands and a traditional name in preserves, decided to develop a low-sugar preserve range which also tasted good. It set about new product development in conjunction with a London design consultancy, The Design Bridge.

Chivers developed a new cooking process with a much higher fruit content, emulating the taste and texture of higher-sugar jams and marmalades. But equally important was the development of a new packaging design.

Just desserts: Chivers Hartley repackaged and relaunched its Fruit Cup range after the first design (left) yielded disappointing results

Chivers set itself the target of taking 5 per cent of the low-sugar market last year, the first full year of the new range, called Hartleys Extra Fruit; it took 7 per cent.

According to Mike Whetter, Chivers Hartley's marketing manager, the packaging design was "absolutely fundamental. If you get your design right you are well on the way to success. If you get it wrong, then you'll never succeed."

Perfecting the packaging design can also help make or break product relaunches. In February 1990 Chivers Hartley took a step into what was then a relatively new market, ready-made convenience desserts, with a range called Chivers Fruit Cup. The market has grown to a retail value now of some £19m annually.

But the dominant green colour of the original packaging meant that retailers frequently placed the product - fruit in jelly - on shelves next to canned fruit. Consumers failed to be tempted, and the product reached only 60 per cent of all retail outlets.

"We found that the graphics of the pack were totally underselling the product and were not conveying what was inside the pot. The pack itself was not exciting them to pick it up and try it," says Whetter.

Chivers Hartley literally went back to the drawing board. Design Bridge worked out new colours, graphics and packaging, and the Fruit Cup range was relaunched earlier this year.

Mike Whetter is confident that the range will increase its market share from the 5 per cent taken on relaunch to 8 per cent by the end of the year. The total cost of relaunching Fruit Cup, including design work, he puts at £120,000.

"New product launches like this are very difficult; marketing money here is sacred - we have to make every pound work hard for us. We have a total marketing spend of about £2m annually - about 3.5 per cent of turnover," says Whetter.

Packaging designers are increasingly being consulted at an early stage of new product development. The Design Bridge was called in by chocolate manufacturers Terry's of York, which in 1989 decided to produce a premium "special treat" chocolate bar. Aimed at 25-44 year old women, the new bar was designed to capture qualities such as "indulgence", "richness" and "uniqueness" in an already crowded market.

The design brief was to develop packaging which would sell the bar as a luxurious treat; understated, yet appealing to women purchasers looking for more than a quick chocolate 'fix'.

The new bar, called Moments, exceeded its first year sales targets by 17 per cent, with retail sales of £10m in 1991 - an achievement in a market where more than four out of five new product launches fail.

Good packaging design helps sell more than food and snacks. Wickens Tutt Southgate, another London design agency, has worked on several accounts to re-vamp brands in equally competitive markets, such as paint aimed at do-it-yourself home owners.

The leading UK brand name for specialist paint for metal is Hammerite, made by Hunting Specialised Products, based in Northumberland. Hammerite has a 77 per cent share of this market, but at the end of the 1980s it became concerned that its image was too "professional" for some purchasers - particularly women - and decided to re-launch its brand, broadening its appeal without losing existing customer loyalty.

According to Guy Falkenham, European marketing controller of Hunting, money used to obtain successful design is as important an ingredient of successful marketing as advertising spend.

"It is very expensive to sustain a television advertising campaign 12 months of the year; we spend in excess of £1m on a six week TV campaign," he says. "TV advertising has terrific influences on sales - we have seen 600 per cent increases for the period during and immediately after television advertising. That's very good, but you can only sustain it for so long."

So Hunting briefed Wickens Tutt Southgate to create packaging both more "aesthetically pleasing and informative and with less of a macho image. We tried to cut through technical jargon and back-of-pack caveats," says Falkenham.

Hunting consolidated two brands - Hammerite and Smoothrite - into one single brand. The designers came up with a branding device, a shield, to symbolise strength, protection and durability.

'If you get your design right you are well on the way to success. If you get it wrong, then you'll never succeed.'

In Falkenham's view, good packaging design is vital but only one element in an overall sales promotion effort. Nevertheless, get it wrong and it can be costly: "Your chances of success with a good design are quite limited, the consumer will only grasp one or two elements of the design of the pack."

But given the choice between £1m for six weeks of television advertising and £60,000 for design work on a brand launch, it must make sense to get the drawing board out before hiring the film crew.

Philip Rawstorne looks at a bold new attempt to calculate brands' balance sheet value

Putting a fresh price on an old name

What's in a name? The answer is a touch more than $31.2bn (*£16.30bn*) if it happens to be Marlboro.

The Philip Morris-owned cigarette brand is the most valuable in the world according to a new assessment of brand values to be published next month by *Financial World*, the US business magazine.

Coca-Cola occupies the number two slot. At $24.4bn, it is worth more than twice as much as its rival Pepsi-Cola, which is ranked fourth at $9.6bn.

The list is published just as controversy has flared again in the UK over the question of brand values. Terry Smith, head of research at UBS Phillips & Drew, the securities house, was suspended from his job last week after his criticism of a number of legal accounting practices which he claims could give a misleading impression of a company's financial position. The practices include that of capitalising brands as intangible assets in the balance sheet.

Accountants, finance directors, and marketing directors have been at odds over the issue since the Nestle bid for Rowntree in 1988 raised questions about the market valuation of such Rowntree brands as KitKat and Quality Street.

Since then a number of leading UK companies - including Grand Metropolitan, Guinness, Ranks Hovis McDougall, and United Biscuits - have put at least some of their brands in the balance sheet.

Guinness, for instance, does not capitalise its beer brand, valued at $2.28bn and ranked 17th in the world by the US survey. The drinks group recognises only acquired brands such as Johnnie Walker and Bell's Scotch whiskies, Gordon's gin and Asbach brandy, which have a clear benchmark for valuation, identifiable earnings, and could be sold separately.

Ian Duncan, Guinness's managing director, finance and administration, says: "I have no doubt that our practice of recognising acquired brands in our balance sheet is correct; and I believe it is becoming widely accepted that brands like ours with a wide, international consumer franchise are real, substantial and highly valuable assets just as much as, and indeed sometimes more so than, property and plant, which can be subject to more risk of obsolescence."

Much of the criticism of brand valuation has focused on the judgements used in calculating values; and one or two oddities emerge from the *Financial World* estimates.

The magazine bases its approach on methods devised by Interbrand, the UK consultancy. To find Marlboro's brand value, for example, it first estimated the brand's annual operating profit - $3.4bn based on sales of £15.4bn and a profit margin of 22 per cent.

It then calculated that a non-branded cigarette, employing the same capital as Marlboro, would have made profits of only $462m.

This amount was deducted from Marlboro's $3.4bn operating profits, leaving $2.9bn. After a 43 per cent provision for taxes, the final figure of $1.7bn was deemed to be the net brand-related profits.

The $1.7bn was then multiplied by a factor of brand strength, dependent on market position, overall market prospects, degree of internationalism, and marketing support. The Marlboro multiple, picked from a range of 12-20, was 19, giving a brand value of $31.6bn.

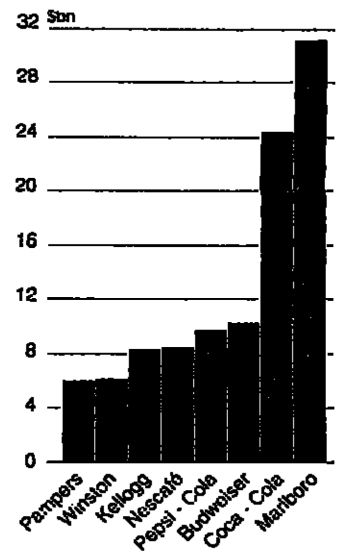
Using these methods, the survey ranks Guinness's Johnnie Walker Red Label, the world's best-selling Scotch, 11th in its list of brands with a value of $2.54bn (£1.32bn), and Gordon's gin in 28th place at $1.1bn (£578m). The total value of the two brands is far above the £1.39bn balance sheet value that Guinness puts on all its spirits.

Such disparities illustrate the problems attached to brand accounting with which the accountancy profession is still wrestling.

But the problems need not detract from the use of brand valuation as an aid to management. The debate on brand values in the US has centred not on their place in corporate financial reporting but on their use as a counter to undue emphasis on short-term financial performance.

The feeling persists among marketing managers that profit-based performance measures encourage actions, such as over-pricing or extensive sales promotions, that produce quick profits but erode long-term brand values.

Brand values 1991



Source: Financial World

TECHNOLOGY

Queue buster flies in

A mobile airline check-in system designed to shorten those interminably long queues at airports has been developed by Speedwing, British Airways' external IT consulting and marketing division.

Speedwing has developed software that enables British Airways staff carrying Poqet hand-held computers to access its mainframe computers to check in passengers and luggage.

Passengers arriving at Heathrow Airport Terminal Four for British Airways international flights will be the first to take advantage of the system. Airline staff at the airport will "comb" the queues in search of passengers who are waiting to check in for flights that are about to depart.

Instead of queuing, passengers will be invited to complete the check-in process on the spot. A special desk will issue boarding passes and luggage tickets to these passengers. While the advantages for passengers are obvious, the airline also expects to benefit.

Since the cost of delaying the departure of a Boeing 747 is approximately £900 per minute, British Airways estimates that the system will save it approximately £8m per year.

The "queue buster" system is based upon the use of the Ram mobile data radio network, which provides wireless computer communications. British Airways' use of radio data communications has been made economically attractive by the advent of public networks.

In the past the airline has experimented with the use of radio communications, but faced the prohibitive cost of building its own radio network infrastructure. The Ram system is expected to be completed this year.

The airline is also phasing in the system at some US airports. Future uses may include group check-in at hotels or on trains or buses taking people to the airport. During a trial of the system, mobile computers were also used to rebook connections for passengers aboard a delayed flight.

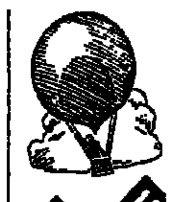
Another use of the system is by pilots who want to access weather and traffic information directly, rather than via operations control staff.

Louise Kehoe

BRITISH ENTREPRENEURS

Driven by devotion

Louise Kehoe finds a self-starter who is committed to business through thick and thin



PETER RIGBY is no fan of venture capitalists. Indeed, this business builder prides himself in never having borrowed money to fund his Birmingham-based computer sales and services group – Specialist Computer Holdings (SCH).

He admits, however, to having been tempted at times to "cash in some chips" and sell equity to investors. "I've had opportunities, but I believe that you cannot be half-hearted about business, you have to be totally committed, financially and personally, so I have always resisted. I am not interested in finding an 'exit route' as the financiers call it."

Financial gain is not the prime motivation for entrepreneurs, Rigby believes. He was driven, rather, by the challenge of proving his own abilities. "I didn't want help or handouts, it had to be down to me."

Building a business is no easy path to riches, Rigby observes. "It is almost all consuming. It occupies all of your thinking. You have to make sacrifices in terms of family life and personal interests."

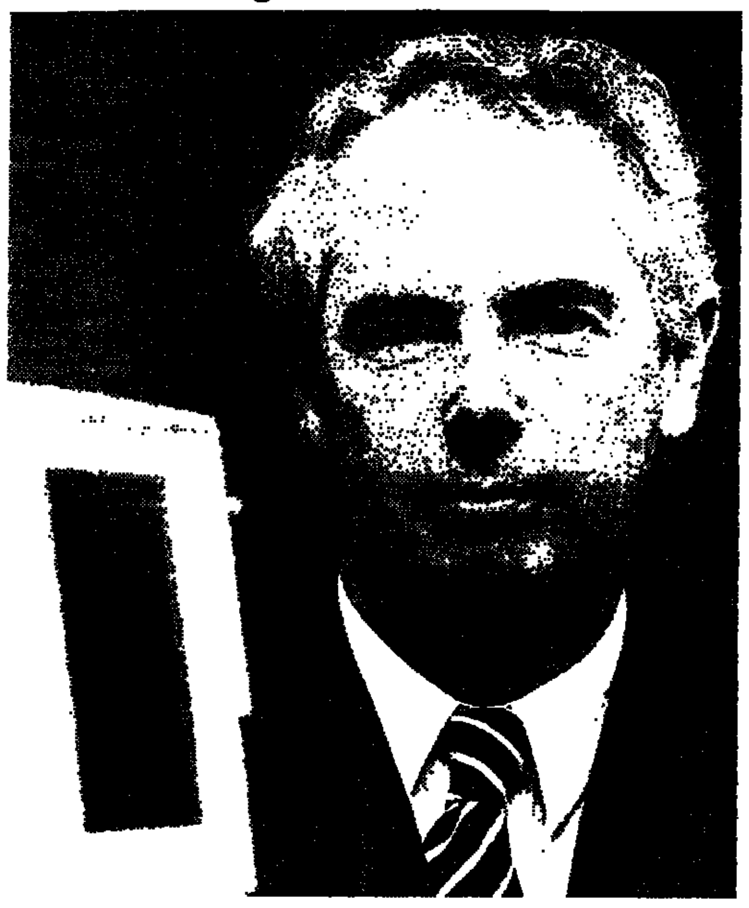
Rigby first "took the plunge" in 1975. Then in his late 20s, he traded a successful career in computer sales for "an awful office" and uncertain prospects. His first venture was in recruitment, specialising in the computer industry.

Over 12 years the business grew to become the largest of its type in Europe and was highly profitable, Rigby says. He sold Specialist Computer Recruitment to a group of investors in 1987. "I was sad to sell it. Building a company is a bit like having a child, it is hard to let go, but my interests were in the sales and services sector."

After forming a mainframe computer services company in 1980, Rigby caught the first wave of the personal computer boom by establishing Specialist Computer Centres (SCC) as a national dealership chain. He now prefers to call SCC a "systems integrator" because it specialises in putting together "solutions" for large corporate clients rather than simply delivering prepackaged products.

SCC now has annual turnover of £60m making it one of the largest independent PC sales organisations in the UK and by far the most important part of the group, which recently reported fiscal 1992 turnover of £83m with profits of £5m.

Moving beyond the original PC base, the company now offers networking products and workstations. Another SCH company which distributes PC equipment to smaller dealerships accounted for revenues of £21m last year. Other group companies offer training and financing.



Peter Rigby: 'The recession has put management skills to the test'

The past year has not been easy for the group. With PC prices in a nose-dive, it had to increase its volume of sales by 20 per cent to maintain turnover at just above last year's level.

"Anybody could succeed in the boom years of the 1980s," Rigby maintains. "The recession of the past two to three years has put management skills to the test."

More worrisome to Rigby than the economic climate is the "shambolic mess" that the computer industry is in, as leading manufacturers struggle to come to terms with technology and market trends that have undermined their profitability. Relationships with his key suppliers have suffered as a result, he complains. "They are obsessed with their own problems."

He is also watching changes in PC distribution channels. In the US a growing proportion of PCs are sold through discount "superstores" and "direct" mail and telephone orders at the expense of traditional dealerships and system integrators. The same trend is now beginning to emerge in the UK.

"We are flexible," Rigby claims. He is already hatching plans for a chain of superstores that may ultimately include branches outside the UK. "I'm confident we will launch a pilot superstore this year. We are wholly prepared to invest £10m to establish 17 stores over the next three years."

Rigby appears undaunted by the prospect of plunging into retailing, despite no prior experience. He has spent the past three months in talks with a US superstore company, with a view to forming a joint venture. Although these plans fell through, he has learned a lot.

As in many aspects of his business, Rigby is self taught. "For the entrepreneur, personal qualities are more important than a university education," he says. "The business manager today has to be a good all rounder. It is not enough to be a good technician, or a first-class salesman, or a finance man. Some of these skills can be understood in the academic environment, but many can only be learned in the workplace through contact with calibre individuals and companies."

As a self-starter, Rigby resents being typecast as a "product of the Thatcher years". He speaks derisively of those who "sought success on the backs of other people's money". Too many, he maintains, "were not prepared to put their own resources at risk, but expected an immediate personal return in terms of income, opportunities for capital growth in the form of share options, and a rich lifestyle".

Did the Thatcher government improve the business climate? "I don't think the climate has ever been favourable for entrepreneurs in the UK," he says. He acknowledges, none the less, that the regulatory and tax environment in the UK is "probably the best in Europe" for business.

However, a big deterrent to entrepreneurial activity in the UK, he believes, is the lack of respect that is given to individuals who are successful in business. "People don't like or admire business success here as they do in the US. In Britain we need to acknowledge the contributions of people who create employment, opportunities and wealth."

Rigby's goal is to build SCH into a £500m business group over the next two to three years, while remaining a "quality" business. "I don't want to sacrifice standards," he stresses.

"To participate in the computer business you have to be fleet of foot. You have got to recognise and adapt to change, explore new ideas and take chances."

The series will conclude next week by observing the differences between British and US entrepreneurs.

Bar-codes take on a new dimension

By Karen Zagor

From the talking cash resisters at Cannata's Food World in Louisiana to the high-speed checkout at Sainsbury in London, bar-code technology has become a standard feature of modern life.

The ordinary one-dimensional bar-code works by using a laser to scan a pattern of parallel black and white bars and spaces which carry data along a single line. The laser scanner reads the information and feeds it into a computer.

Bar-codes have revolutionised inventory management, merchandise shipping and parts tracking in industries ranging from general retail to healthcare. They speed up the sales process and help businesses keep a tighter control on inventory and data.

Yet the capabilities of today's bar-codes are minuscule when compared with the possibilities of the two-dimensional bar-code, which holds so much information that it would allow a cash register to play the William Tell Overture.

Two-dimensional bar-codes are being tested by a number of companies, and the imminent introduction of a new scanner by Symbol Technologies of Bohemia, New York, will make them available commercially next month.

The original bar-code was developed by Joseph Woodland, a former IBM employee and Drexel University researcher. Woodland came up with the idea of using the rectangular format after seeing the black-and-white patterns of motion picture sound tracks and the dash-dot-dash pattern of Morse codes.

Woodland and his associates started working on the bar-code in 1948, but it was not until the 1970s, with the advent of lasers and the drop in computing costs, that the technology became inexpensive enough to be commercially viable.

The one-dimensional bar code is practical for processing fairly simple information. But its usefulness is limited by the fact that only 20-30 characters per inch can be squeezed on to a standard label. Symbol Technologies has developed a two-dimensional bar-code which can store roughly 100 times more information in the same space.

The company's PDF417 bar-code works by reading the rows and columns. "With one-dimensional codes, the information in the height is redundant," says Rob Durst, senior director of PDF business development at Symbol Technologies. "With two-dimensional codes, there's additional information in the height."

Other two-dimensional bar-codes work by stacking a large number of one-dimensional bar-codes on top of each other. A high-speed laser scanner weaves through the stack until it has covered all the rows.

The PDF417 functions like a portable data file or disposable, paper-based computer memory. It eliminates time-consuming manual data entry, and with it an element of human error. In addition, Symbol Technology's two-dimensional bar-code has an error correction formula to help recover a full message if part of the code has been torn off.

"We started out inventing a bar-code which developed into a portable data file, and now we have a full-blown data communications protocol for paper," explains Durst.

Symbol Technologies says its two-dimensional bar-codes will greatly increase the speed of moving and receiving goods, but the possible applications for the medical and hazardous waste industries are even more substantial.

In the case of hazardous waste, two-dimensional bar-codes could contain warnings, storage details and disposal instructions, as well as identification. They could also include emergency instructions, allowing almost instant clean-up of a toxic waste spill.

For the medical community, doctors in remote regions would be able to get a patient profile from scanning a bar-code, without needing access to a central database.

"It's not going to be a revolution you'll notice in 1993," says David Nelson, an analyst at Lehman Brothers, "but conceptually it's clear that two-dimensional bar-codes will become very common over the next decade and should nearly supplant one-dimensional bar-codes."

PEOPLE

Scheele brings Padilla to Jaguar from US

Nick Scheele, who took over as chairman and chief executive of Jaguar in April, has his first key appointment in place at the troubled luxury car manufacturer.

He is 46-year-old James Padilla, who was born in Detroit and who has spent almost his entire working life there since he joined Ford in 1966.

Padilla arrives as Scheele's number two, with the title of executive director of engineering and manufacturing – a new and key position at the British company which has proved an extremely expensive proposition for Ford since the US car giant's 1989 purchase. The two men know each other from the mid-1980s when Scheele was running the purchasing budget for the North American assembly plants.

Scheele's predecessor, Bill Hayden, a leading manufacturing expert, previously from Ford Europe, likened the production facilities at Jaguar to a plant in Gorky when he was first put in following the acquisition. When he retired, he left a large gap on the engineering and manufacturing side.

The directors responsible for those areas, who had previously reported to Hayden, are now reporting to Padilla.

Since 1991 Padilla has been director of the small car segment within North American product development. An engineering graduate, he had been made programme operations manager in 1990. He had a year out of Ford in 1978 on a White House fellowship programme.

Jaguar claims that Hayden made great strides forward in terms of productivity, and, particularly, quality. Padilla will be continuing in that vein, and will also be in charge of what is a highly ambitious new model programme – with plans for a new saloon and sports car as well as a smaller executive car to compete in the BMW 5-series market.

■ **Jeremy Campbell**, formerly director of human resources at Rothmans International, has been appointed company secretary and solicitor of EAST MIDLAND ELECTRICITY on the retirement of **Derek Wells**.

■ **John Henderson**, a member of the World Health Organisation advisory panel on mental health, has been appointed director of the Mental Health Foundation's grants and projects division.

■ **Jim Beeston**, deputy chief executive of Birmingham Heartlands Ltd, has been appointed chief executive of the BIRMINGHAM HEARTLANDS DEVELOPMENT CORPORATION.

■ **Steve Bernard**, a former md of RCA/Columbia Pictures Video UK, has been appointed md of INGRAM ENTERTAINMENT; he succeeds **Raymond Laren**.

■ **Jon Edis-Bates**, formerly group company secretary of Bunzl, has been appointed group company secretary of FORTE on the retirement of **Tom Russell**.

■ **William Woodward**, formerly assistant group secretary of Blackwood Hodge, has been appointed company secretary of BRITISH FITTINGS GROUP.

■ **Roger Wain**, currently non-executive chairman, has been appointed executive chairman of FERROMET GROUP.

Harvey Nichols' Maney replaced by Wan

The replacement of Dick Maney, managing director of Harvey Nichols, with the group finance director of its new Hong Kong parent Dickson Concepts, surprised and saddened the London retailing community yesterday.

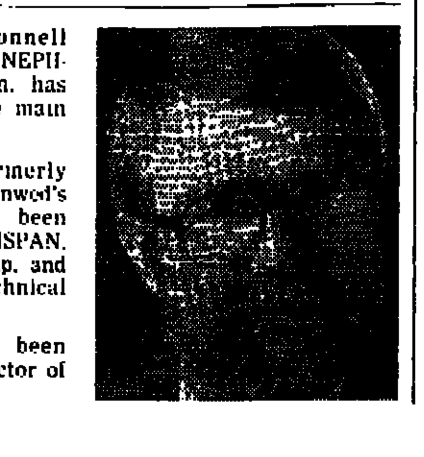
When young businessman Dickson Poon took over every Sloane Ranger's favourite store last August, he promised "no dramatic or immediate changes". Yesterday, the new managing director 38-year-old Joseph Wan alleged that "someone from Hong Kong can be more effective and efficient" in carrying out Dickson Concepts' plans in Europe.

Maney, a stylish and talented American retailer, was brought in by John Hoerner, then chairman of Debenhams, from Lord & Taylor in 1987, and was credited with successfully enlivening the upmarket fashion store. Only in April he was giving details of the store's plans for the future and claiming "we are delighted that in the present economic climate Harvey Nichols can have such a positive approach to 1992".

But, increasingly, he must have found that approach being dictated by head office. Wan, who qualified as a chartered accountant with Peat Marwick in London, and worked for the firm also in Hong Kong, says the idea – greeted by other experienced retailers with some scepticism – is "to take Harvey Nichols further upmarket". Wan joined Dickson Concepts as group finance director five years ago; he steps down from that position and says he is in London to look after "existing and future strategy" of the Hong Kong group in Europe. Immediate plans include two new restaurants and a food hall – all located on the fifth floor – as well as a boutique opening in Hong Kong. Harvey Nichols cost Dickson Poon £60m last year, and Wan says he must "achieve a profit level to justify the investment".

"I do have some retailing experience," he adds in competent though not immaculate English. "We have over 100 retail outlets, and I have participated in the management of them. Dickson Concepts also has exclusive distribution rights in the Far East for many of the famous brands Harvey Nichols carries."

■ **Christopher O'Donnell** (right), md of SMITH & NEPHEW's medical division, has been appointed to the main board.



■ **Brian Onions**, formerly finance director of Glynwed's leisure division, has been appointed md of EARTHSPAN, part of Kingsway Group, and **Clifford Fudge** its technical director.

■ **Ronald Reid** has been appointed finance director of TAKARE.

FT LAW REPORTS

Beware governments bearing gifts

By Celia Hampton

Industry used to take a rather detached view of the European Community's rules on anti-competitive government subsidies. These have not essentially changed since 1956 but, in the past, most companies were able to dismiss them as someone else's problem.

Inertia is no longer wise. In the last few years, the Commission has given enforcement of the "state aid rules" increasing priority in relation to manufacturing industry (problem sectors, such as steel and shipbuilding, and particular sectors such as transport and agriculture receive special treatment). It is now applying articles 92 and 93 of the EC Treaty to a wider range of cases. Companies should take care to be aware of them.

The Commission's policy is not yet fully mature, and the European Court is still giving basic rulings on the extent of its powers. The subject remains a hot political issue: the rules give the Commission the role of enforcing competition rules between governments, which is unique among the competition authorities of the world.

At company level, the state aid rules may pose a threat to a company lucky enough to benefit from public funding, whether by direct grant, tax concession, development zone benefits or whatever. The fact that a company can complain to the Commission about an unfair advantage being given to a rival enables the rules also to be used as a weapon. If the Commission decides not to act, the company may appeal to the European Court.

Current examples on the Court's case list include a complaint by the French company, Matra, against approval of aid for Ford and Volkswagen to build a car factory in Portugal which will have the capacity to make up to 400,000 multipurpose vehicles a year. Matra, their main European competitor, argues that the Commission failed to apply the state aid rules consistently with the Treaty's overall competition policy *(Case 225/91)*.

The association of independent French courier companies, SFEI, is using the rules more indirectly. It alleges that the Commission failed to identify as a state aid the benefits conferred on a competitor in the form of cheap premises, staff time, etc, by the state-owned French post office.

An expensive complication in this case is the need to bring two separate suits before the Court. Challenges to the Commission's decisions in competition cases involving companies now go to the Court of First Instance. State aid decisions, on the other hand, are addressed to member states and, although affected companies can challenge them, the case has to be brought before the main European Court.

Most of the legal issues arise from the Commission's refusal to act on SFEI's allegations against the conduct of companies (TNT and five post offices) involved in a joint venture which the Commission had approved. These will be tried by the Court of First Instance in Case T-36/92, but the state aid issue is going to the main Court in Case 222/92.

Another reason to invoke the rules might be to challenge a tax or levy, the proceeds of which are used to benefit specific producers or products. The Court has ruled that this can be classified as a state aid *(Cases 149 & 150/91, judgment of June 11 1992)*.

Such a challenge would also involve the Commission since it alone has power to rule whether a state aid is unlawful: the national courts cannot strike down their own taxes on this ground in the way that they could, say, a tax that discriminated against imports from other EC countries.

Article 92 of the Treaty says that "any aid granted by a member state or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between member states, be incompatible with the common market". It goes on to say that aid for certain broad purposes (eg for areas of serious unemployment or development of certain economic activities) "may be considered compatible". This suggests that any others would be incompatible as a matter of law.

However, this is weaker language than, for example, the "prohibition" of anti-competitive conduct by articles 85 and 86. Moreover, the Court has ruled that, however much an aid may appear to contravene article 92, its unlawfulness is not absolute or unconditional since the next article lays down procedures for review of state aids and for declarations of incompatibility by the Commission *(Cases 78-83/90, judgment of March 11 1992)*.

In view of the Commission's increasingly creative recourse to the rules, it is important for companies to know what is likely to trigger an inquiry. It may result in a legal obligation to pay back to the government any subsidy the company is found to have received, possibly some years before. A particularly uncomfortable situation arises when an enterprise has been bought from the state at a price which makes it affordable but which contains a discount or allows past losses to be written off. This means that the state has conferred a hidden money benefit, as alleged in British Aerospace's acquisition of Rover.

Only non-discriminatory aid given to consumers and disaster relief are specifically allowed by the Treaty itself. The Commission has issued some useful guidance, such as the blanket approval this May of certain low levels of aid to independent small and medium-sized companies and the temporary approval of higher levels of aid in Germany's new *Länder*.

The Commission has power under article 93 to declare an aid which was granted in the past incompatible with the common market. This is why in practice a company may have to repay a subsidy, although in theory this should not happen, since all plans to grant new aid or alter existing schemes should be notified to the Commission. Two distinct procedures apply to "old" and "new" aids, and the Commission must select and follow the correct course of action from the start *(Cases 312/90 and 47/91, judgment of June 30 1992)*.

Politically the most contentious application of the state aid rules is to public enterprises and state shareholdings. The Treaty explicitly places the question of ownership beyond the reach of EC law (article 222): it passes no judgment of any sort on the public ownership of industry.

The Commission's current purpose is to ensure that state enterprises compete with the private sector as nearly as possible on equal terms. In identifying payments which are to be treated as aid, the test to be applied is the "market economy investor principle" by which a payment to an enterprise by the state is assessed as an investment made by a hypothetical private investor.

The Court upheld the directive introducing the concept *(Cases 188-190, judgment of July 6 1982)* and it has since approved refinements in its application, for example by allowing an investment to be judged in the long term or from the point of view of the conglomerate holding company, rather than by the shorter-term criteria of the capital markets *(Cases 305/89 – Fiat/Alfa-Romeo; and 303/88 – Lanerossi)*.

The state aid rules show no signs of becoming depoliticised, especially in the light of the Commission's recent approval of the French government's injections of capital into the computer maker, Bull, which drew an immediate protest from the UK. The UK itself, however, is by no means immune from the rules: the suggestion of a development zone for Ravenscraig following closure of the steelworks drew an immediate adverse reaction from Brussels.

The Commission's own deliberations are no stranger to controversy. Among the hard cases to face the commissioners on their return from holiday is the proposal to impose import duties on vans made in Austria at a plant which has benefited from subsidies. It is felt that this could operate to the detriment of EC producers. Austria has a free-trade agreement with the EC and is an applicant for membership. The result of this will pose new questions for the Efta countries due to participate next year in the European Economic Area, and may send ominous signals to the countries of central Europe.

The author is executive editor of FT Business Law Brief.

Edinburgh International Festival

Tchaikovsky

THIS year the festival has a musical mission: to present Tchaikovsky in bulk and in the round. On paper this may not look a very startling proposition; but already halfway into the first week, its fulfilment is proving wonderfully ear-opening. In the words of an impassioned programme note by Conrad Wilson, "Tchaikovsky, 99 years after his death, remains the most neglected of great popular composers... the truth is that we hear a handful of his works again and again while the remainder of a sizeable output is ignored."

The achievement of a more rounded composer-portrait is the goal of the 1992 musical schedule, and it has been approached with expert skill and taste. The popular pieces are not excluded – that would be a different but equal sort of absurdity – but ranked alongside others less often or indeed never heard.

So there are the Violin Concerto, the First Piano Concerto and the last three symphonies – but also the other symphonies (Manfred included) and piano concertos; such orchestral rarities as the Overture on the Danish National Anthem and the cantata *Moscow;* a generous helping of the songs, piano solos and chamber works; and a rare opera (*Iolanta*) staged and an even rarer one (*The Oprichnik*) in concert form.

One of the points proved after only a short period of festival attendance is how little justice the popular Tchaikovsky impression – of big gestures, exotic colours laid on with a trowel, emotional splurge – does to his compositional personality. In this regard, the morning recitals by the Borodin Quartet devoted to the three string quartets (and placed, interestingly, alongside one of Brahms's three) have been particularly revealing – and this in spite of the patches of ragged ensemble and rusty tuning from this usually most suave and euphonious of leading quartet groups.

To proceed from the early B flat quartet movement through the D major Quartet, no 1, to the F major, no 2, has been to follow Tchaikovsky step by step in his most assiduous attempts at mastery of craft. His most characteristic mode here is, if anything, too earnest a desire to cross every t and dot every i, with the direct consequence, on occasion, of prolix point-repetition.

But in the movements where the balance between form and content is exactly struck – the contained, magically tender Adagio of the First and the rhythmically asymmetrical scherzo of the Second, with its delicious sleights-of-hand with the first beats of the bar – the Tchaikovsky that emerges is a composer of singular and unparalleled richness, copious in "feeling", but also copious in the discipline and containment of that feeling, and vernally fresh in the sheer sound of his every invention.

The same heart-easing freshness was the great joy of the First Symphony ("Winter Dreams") at the close of Monday's first-rate Usher Hall concert by the Danish Radio Symphony Orchestra under Dmitry Kitayenko.

On Tuesday the Scottish Chamber Orchestra had set themselves the fascinating task of elucidating the ties of kinship between Tchaikovsky (in the Rococo Variations and the orchestra version of the *Souvenirs de Florence* Sextet) and Stravinsky (in *Apollo* and the re-scoring of the *Sleeping Beauty* Bluebird pas de deux). This worked out rather less well than one hoped only because the conductor, Yury Simonov (replacing the ill Charles Mackerras), was in self-indulgent mood, demonstrating show-off stick technique rather than close communication with the SCO players, and woefully slowing *Apollo* down.

Even so, the relationship between the two greatest Russian composers was made the nub of an out-of-the-ordinary concert adventure. Of those, over the coming Edinburgh weeks, there promise to be a good many more.

Max Loppert

Dido and Aeneas

THE strange thing about the American Mark Morris is that while his dances, moment by moment, look far from radical, they feel like nothing else. Morris is a master of pronging you between two or more different reactions at once; he seldom lets you have just one simple response.

I have acclaimed his dance realisation of Purcell's *Dido and Aeneas* in these pages before. At his British debut at the King's Theatre, Edinburgh, on Tuesday, I was newly struck by the second witches' scene, in which the evil is depicted at once as something comic, pathetic and horrifying. One witch mimes taking a lover: she kisses him ardently on the lips, slits his throat and lets him fall splat to the floor. Meanwhile, the Sorceress (Morris himself) lies on the floor, at the front centre of the stage. Deftly, rapidly – it's easy to miss this – she masturbates.

Alternating with these scenes are the grand tragic power of Dido – also played by Morris – and her court and Aeneas. Morris catches the doom that hangs heavy on Dido from the first, her noble, joyless despondency. Then, as soon as Morris-Dido has given herself in love and brief consummation with Aeneas, Morris-Sorceress comes tearing on to wreck everything. Dido and Sorceress are two sides of the same psyche. The side that reluctantly admits passion is succeeded by the side that destroys it.

And so to Dido's final return to doom – her vehement dismissal of Aeneas and her mighty, lamenting, immolation. All this *Dido* is a triumph of gesture, and it is in her Lament, as Dido's voice sings "Remember me," that Dido rises to the heights as she mimes the same gesture to east, west, south and north in huge, despairing arcs.

It is a privilege to hear again the eloquent singing of Della Jones in both roles. Gareth Jones conducts the Scottish Ensemble and Schola Cantorum with clarity and tautness. Only the murky vowels of Rebecca Evans's Belinda are a slight blot on proceedings.

The entire Morris company dances with startling flair, combining butchness and delicacy, attack and flow, in characterisations both vividly depicted and yet objectively delivered. Robert Bordo's set, a half-abstract map of the Mediterranean sea, casts a beautiful aura around the stage events.

Alastair Macaulay

Walter

THE most ardent supporter of C P Taylor would not claim *Walter* is one of his best plays. One reason why it is included in the tribute to him in this year's festival may be that the work pays homage to his native Glasgow.

Glasgow did not encourage Taylor as a playwright. It was the Traverse Theatre in Edinburgh that discovered him. Afterwards he moved south to Northumberland, where he wrote his best work. Still, Glasgow was a formative influence.

Taylor was born there in 1927, the son of a Jewish family which had fled from tsarist Russia. The Walter of the play is based on a musical hall comedian called Walter Jackson (originally Jacobson). Jackson, like Taylor, had Jewish parents. He began performing in Glasgow in 1932.

After the war, Jackson became relatively well known beyond music hall. He appeared in television soaps and did straight acting at the Glasgow Citizens'. But just as his new career was taking off he died aged 60 in 1977.

The version that appears in a collection of the seven Taylor plays being performed at this year's Festival takes less than an hour to read, but stretches to two and a half hours on-stage. For all the love and care that have gone into Hamish Glen's production at the St Bride's Centre, it remains heavy going.

Walter, the musical hall comedian, is left far behind. The play is about the sex life of a man who wonders how far he remains Jewish. He has left a Jewish wife for a Jewish mistress, then abandoned her and is now living on the banks of Loch Lomond with a young Gentile girl who speaks with a Geordie accent. She wants him to move to Northumberland because the Scots do not like the English crossing their border and Scotland is full of "bloody Jews, communists and film directors".

The sex life does not seem very satisfactory; nor is the play. There is a nice joke about Catholics being lovely when they are sober and terrible when drunk, and Protestants the other way round. Tom Watson plays Walter with tremendous determination and one admires Tracey Wilkinson as the Geordie girl. But none of the cast is on fertile ground.

Malcolm Rutherford

Sigourney Weaver (right) is menaced by the slavering eponymous nasty in Alien 3

Cinema/**Nigel Andrews**

A half-silly, half-splendid thing

ALIEN 3 **David Fincher**
WATERLAND **Stephen Gyllenhaal**
LOVERS **Vicente Aranda**
JERSEY GIRL **David Burton**

THE curtains part, the spotlights rake the monumental letters, then the 20th Century Fox fanfare turns into a long curdled shriek. Yes, the alien has penetrated that *sanctum sanctorum*, the Hollywood logo. How long before it spawns all over Tinseltown and grows too large for studio loyalty? Shall we see a full-size alien skeeter atop the Paramount mountain, or growl out from the MGM scroll, or impersonate the Columbia torch lady?

In *Alien 3*, a film half silly and half splendid, the slobbering reptile with the curved black head and Meccano jaws once more demonstrates the terrors of ubiquity. This time it infests a distant planet functioning as an all-male penal colony under the brutal rule of one Superintendant Andrews. In any other film Brian Glover as the bald, bad, barking Andrews (no relation) would be the most charismatically grotesque thing on view. But the alien has landed, unwittingly brought in by Sigourney Weaver's battle-scarred Ripley, who crash-lands here from a previous adventure.

By climax time, all is mayhem as before: the sudden glimpse of dripping jaw or oily tentacle, the starting-gun scream. New Zealand film-maker Vincent Ward (*Vigil*), who wrote the story but was ousted as director by pop video alumnus David Fincher, bequeathed the brilliant conceit of a group of ex-murderers and rapists living in an interstellar monastic foundry.

Fumbling with their new-found mysticism – "some sort of apocalyptic millenarian Christian fundamentalism" vaguely explains Medical Officer Charles Dance – they are like the cast of *The Name Of The Rose* flung into hyperspace. Weaver's grimy, crop-haired Ripley adds to the film's Rembrandt-goes-to-Hell look and the black comedy is vivid and versatile.

The alien's secret birth is cross-cut with the pious words delivered at a prisoner's funeral ("There is always new life..."); an oxygen mask falls from a ceiling, its scaly hose momentarily suggesting something far worse; and a defunct robot is described as having "negative capability." (Thank you, Mr Keats, we will be in touch about the royalties...)

But once the chase starts, wit and luminosity are replaced by gimmickry and pyrotechnics. Worse, the script by *Alien* veterans David Giler and Walter Hill with Larry Ferguson expunges the two most interesting male characters in an early kill, leaving Ripley to orchestrate the also-rans. A film that starts out as a crackpot masterpiece about cabin fever in the cosmos ends up as a monster flick *comme tous les autres*.

* * *

Though I have not read Graham Swift's fenland novel *Waterland*, I intuited that something was wrong with the film from its opening. What are we doing in Pittsburgh, Pennsylvania? Short answer: looking for an American audience. Jeremy Irons, sere of face and cicatriced with moustache, regales his college history class with trauma-packed memories of boyhood, sex and East Anglia. "Sir, sir," they all but cry, "why are you telling us this?" "Well, children," he all but replies, "because screenwriter Peter Prince and director Stephen Gyllenhaal (*Paris Trout*) think we should have a framing device to explain to you transatlantics what fens are and what England was like when everyone who lived in them went 'Ooohh, eeeggh, aaarrhh.'"

Incest, fishing, nude bathing, abortion, the Great War: it is all here. But what dismays about *Waterland* is less its off-the-peg pastoral torments – the village idiot brother, the dark hints of inbreeding, the love trysts in the barn, the old crone crowing over her abortion patients – than its lunatic attempt to extract a message for middle America.

When not flashbacking to the fens, Irons pads around Pittsburgh explaining that his raunchy tales are as bona fide a part of "history" as, say, the Battle of Valley Forge. Not surprisingly his fellow teachers disagree and think he should go. And his wife Sinead Cusack, ruing the infertility brought on by that long-ago pregnancy termination, has already gone.

One half-admires the film's moments of stark courage: as when it literally tips Irons and his pupils into early-century Norfolk, driving them through the past in a vintage multiseater from which they view the beery natives on the eve of World War I. But even this smacks of Americanisation. The past used to be a foreign country; now it is a theme park. They speak a universal language there, one composed of folksy wisdoms about the child fathering the man and cinegenic proverbs about giving a human, picture-book touch to public or social history.

* * *

Victoria Abril, the pouting star of *Tie Me Up! Tie Me Down!* and *High Heels*, is quite wonderful in the Spanish film *Lovers*. The face at once gaunt and pixie-ish, the manner distrait and monomaniacal: she was born to play the beautiful widow who seduces the gullible soldier (Jorge Sanz) in this truth-based tale of love's young dream turning to nightmare and scandal.

For the young man is courting his commandant's pretty, virginal maid (Maribel Verdu) when he takes lodgings – ah fatal day! – with Miss Abril. Soon she has him in bed and is doing unmentionable things with a silk handkerchief.

Passion and perversity meet in hot embrace and Miss Verdu is left out in the cold. Even when the young girl gives up her virginity for the cause, she is no match for the siren. Miss A was trained, after all, in the Pedro Almodovar School of Absolutely Anything Goes. Sex, jealousy, handkerchiefs, cut-throat razors: it will be fun for a while and then end in tears or murder.

Writer-director Vicente Aranda was inspired by a crime of passion in 1950s Spain, which sent its culprits to jail after Franco had commuted the death sentence. But the film is inspired by Miss Abril, who won the Best Actress prize last year at Berlin.

With her moue of a mouth, spiky-lashed eyes and honeyed throatiness of voice, she is a junior-team Gloria Swanson presiding over her side-street Sunset Boulevard.

What she and the film and its sex scenes will do to most male filmgoers I tremble to think. What they should do for Miss Abril's career is make her an international star.

* * *

Finally, *Jersey Girl*. Just for a moment I thought this might be a Lana Turner bio-pic. Miss Turner, once known as the Sweater Girl, was famous for making woollen garments bulge in all the right places. But no: this movie bulges in all the wrong places and the Jersey invoked is the place not the pullover.

Toby (Jami Gertz) is the working-class out-of-towner who falls for Mercedes-owning New York yuppie Sal (Dylan McDermott). But can Cinderella hold on to her Prince Smarmy?

Not until her girlfriends have screamed dire warnings, her gift-happy Pop (Joseph Bologna) has embarrassed her with his taste in evening dresses, her snooty Park Avenue rival (Sheryl Fenn) has tried to steal Sal back and – oh enough, you cannot want me to continue. We thought they did not make films like this any more, but it is the silly season and we were, alas, wrong. David Burton Morris directed.

London Promenade Concerts

Byrnam Wood

THE archaic spelling of David Sawer's *Byrnam Wood*, the latest of this season's Prom commissions, must be the composer's choice. The point of it is somewhat obscure – like the point of the piece itself, though on Tuesday Mark Wigglesworth took the BBC Symphony through it with clean assurance.

Macbeth did indeed provide the inspiration. Quite palpably, "Birnam wood" approached Dunsinane in an aqueous mist from which military fanfares soon emerged, and a menacing thrust; then there was a sort of trio section, reflective and wanly lyrical (presumably Macbeth's "I 'gin to be a-weary of the sun, / And wish the estate o' the world were now undone"). The fanfare-motifs returned in sharper focus before a numb, discouraged coda.

Though Sawer insists that his 20-minutes-odd piece is not primarily pictorial or illustrative, it is hard to hear it in any other way. Without the literary-theatrical clue, we'd have had too little to hang on to. Yes, there is plenty of fluent, lucid orchestral invention, proving the composer's keen ear – but it proceeds through calculated harmonic blocks which are really *too* transparent, each too patiently explored to keep much sense of a forward impetus. There are a lot of spidery repeated-figures that echo Minimalist manners, here more "evocative" than constructive.

Sawer's score could serve as cogent underpinning for a visible dramatic burden, but on its own it seemed to accumulate too little force to compel our attention all the way. However, Wigglesworth judged its sober tempo to a nicety – a sense of timeless processional gravity maintained at a decent clip, a strong profile fixed for the long series of disconsolate climaxes. I admired that very much, and no less his fervent but unhurried exposition of Shostakovich's Symphony no 13 – the "Babi Yar" one, on Yevtushenko texts that used to be politically "controversial". The solo bass-baritone was John Tomlinson, alight with controlled passion and keenly supported by male voices from the London Philharmonic Choir and the Southwark Festival Chorus.

This angry Thirteenth may not be a "symphony" in any respectable sense, but with such performers it had the force of a musico-dramatic document.

David Murray

INTERNATIONAL ARTS GUIDE

■ BERLIN

MUSIC

● Fabio Luisi conducts a popular orchestral concert at August Bebel Platz on Sun at 16.00, with vocal soloists Laura Aikin and Jochen Kowalski (East Berlin 200 4762)

● The 1992-3 season at the Deutsche Oper begins next Tues with La bohème conducted by Rafael Frühbeck de Burgos. The first new production of the season is the world premiere of Aribert Reimann's new opera Das Schloss on Sep 2 (West Berlin 3410 249)

THEATRE

● A Midsummer Night's Dream: open-air Shakespeare production, daily except Mon (Freilichtbühne an der Zitadelle, West Berlin 331 6920)

● The Blue Angel: Ute Lemper and Eva Mattes alternate as Lola, the nightclub singer who captivates Professor Raat. Daily except Mon (Theater des Westens, West Berlin 3190 3193)

● Das Küssen macht so gut wie kein Gerausch: authentic Berlin revue with ample local colour, daily except Sun and Mon (Kleines Theater, West Berlin 821 3030)

● Hase Hase: the new season at the Schiller Theater opens tomorrow with Benno Besson's production of Coline Serreau's play. The first new production of the season is Goethe's Clavigo on Sep 3 (West Berlin 312 6505)

● Theaterkasse im Europa-Center has an information and ticket service for Berlin entertainments (Tauentzienstrasse 9, West Berlin 261 7051)

■ BRUSSELS

OPERA/BALLET

The 1992-3 season at the Monnaie opens on Aug 30 with Mozart Concert Arias, a new dance work by Anne Teresa De Keersmaeker and her experimental ballet group Rosas, with orchestral accompaniment conducted by Philippe Herreweghe and vocal soloists including Charlotte Margiono (repeated on Sep 1 and 2). Luc Bondy's Salzburg Festival production of Salome opens the opera programme on Sep 15, and the season also includes productions of Un ballo in maschera (Oct 27), Die Zauberflöte (Dec 11), From the House of the Dead, La Calisto, Anna Bolena and Die Meistersinger von Nürnberg (219 6341).

CONCERTS

A series of Flanders Festival concerts opens on Sep 6 with the Orchestra of the Monnaie with its chief conductor Antonio Pappano. There will also be concerts by the London Symphony Orchestra under Michael Tilson Thomas (Sep 16), The King's Singers (Sep 18), the Swedish Radio Symphony Orchestra with Esa-Pekka Salonen (Sep 22), the Bavarian Radio Symphony Orchestra under Wolfgang Sawallisch (Sep 23), Murray Perahia (Sep 26) and the Vienna Philharmonic with André Previn (Sep 27). Tickets and information from Flanders Festival, Eugene Flageyplein 18, 1050 Brussels, tel 640 1525.

THEATRE

The Théâtre National opens the new season on Sep 18 with a stage adaptation of Dante's Inferno. The programme also includes Ian Judge's RSC production of The Comedy of Errors (Oct 27-31), Büchner's Leonce and Lena, Beaumarchais' Le barbier de Seville, Kleist's Amphytrion, Ibsen's John Gabriel Borkman directed by Luc Bondy and Racine's Phèdre directed by Jean-Marie Villégier (217 0303)

■ BUDAPEST

THEATRE

● Merlin Theatre presents English-language performances of a double-bill entitled Dreams and Reality, consisting of a one-act play by Ferenc Karinthy and a Mussorgsky fantasy. Daily from tomorrow till Aug 31.

● Madach Chamber Theatre presents Bernard Slade's nostalgic comedy Everytime I See You, tomorrow, Sat and Sun.

MUSIC

● Margaret Island Open Air Theatre has folklore performances by leading Hungarian troupes tonight and tomorrow.

● Hungarian Concert Ensemble gives chamber orchestra concerts tomorrow, Sun and next Tues at Corvin Hall, Szentharomsag ter 6.

● Pre-booking for concerts at the National Philharmonic Booking Office (Vörösmarty ter 1).

■ LONDON

THEATRE

● A Midsummer Night's Dream: Robert Lepage's new Shakespeare production is acted out in a pool of mud. In repertory at the Olivier with Shaw's Pygmalion. The National repertory also includes Alan Bennett's The Madness of George III starring Nigel Hawthorne and Jim Cartwright's powerful new play The Rise and Fall of Little Voice, starring Alison Steadman (National Theatre 071-928 2252).

● A Midsummer Night's Dream: a more conventional production directed by Ian Talbot, with Dinsdale Landen as Bottom. In repertory at the Open Air Theatre in Regent's Park with Shakespeare's comedy As You Like It and the classic Gershwin musical Lady Be Good (071-486 1933).

● Hush: a new play by April de Angelis, directed by Max Stafford-Clark, about a 15-year old girl coming to terms with a world without fixed sign-posts (Royal Court 071-730 1745).

● A Slip of the Tongue: John Malkovich plays a Czecholsovak dissident in Dusty Hughes' new play about personal and political relationships during the 1989 revolution (Shaftesbury 071-379 5399).

● It Runs in the Family: Ray Cooney writes, directs and stars in a comedy about a distinguished neurologist who finds his past catching up with him in the shape of a son he never knew he had. Now in previews, opens Sep 14 (Playhouse 071-839 4401).

MUSIC AND DANCE

Royal Albert Hall 19.30 Henry Wood Proms: Klaus Tennstedt conducts the LPO in works by Bach, Liszt and Wagner. Tomorrow: Heinrich Schiff conducts the Northern Sinfonia, with Christian Zacharias soloist in Beethoven's First Piano Concerto. Sat: Martha Argerich plays Prokofiev's Third Piano Concerto with the ECYO conducted by Rostropovich. Sun: David Atherton conducts Berlioz. Mon: Trevor Pinnock conducts a Haydn programme. Next Tues and Wed: St Petersburg Philharmonic (071-823 9998)

Barbican 19.30 Kenneth Sillito directs the Academy of St Martin in the Fields in a programme of Bach, Purcell, Vivaldi and Handel. Tomorrow: Marriner conducts Mendelssohn. Sat: American Festival of Jazz featuring Bob Wilber, Kenny Davern, Scott Hamilton and Warren Vaché. Next Thurs: Christopher Hogwood conducts Purcell's Dido and Aeneas. Next Sat and Sun: Elaine Paige in concert (071-638 8891)

■ ZURICH

CONCERTS

The first of three pre-season concerts conducted by Claus Peter Flor takes place tonight in the Tonhalle. The programme includes Janacek's Taras Bulba and Beethoven's Fifth Piano Concerto (Vladimir Ovchinikov). Next Wed, Flor conducts Beethoven's Fifth Symphony and Shostakovich's First Violin Concerto, with soloist Michael Erxleben. On Sep 3, the programme includes Shostakovich's Ninth Symphony and Janacek's Sinfonietta (206 3434)

OPERA

The Opernhaus season begins on Aug 30 with a revival of Robert Carsen's staging of Lucia di Lammermoor starring Edita Gruberova (repeated on Sep 2 and 4). The first new production is Bellini's Il pirata on Sep 19, conducted by Nello Santi and staged by Francesca Zambello, with a cast headed by Mara Zampieri and Salvatore Fisichella. Highlights of the 1992-3 season are Giordano's Fedora with Baltsa and Carreras (Nov 7), a Jonathan Miller staging of Schreker's Die Gezeichneten (Dec 20), a Harnoncourt/Berghaus production of Der Freischütz (next Feb), Massenet's Herodiade with Grace Bumbry (March) and a staging by Piero Faggioni of Don Carlo (262 0909)

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Thursday August 20 1992

The price of costly debt

THE UK economy is in trouble, as today's headlines and the Bank of England's gloomy quarterly bulletin confirm. The growing burden of consumer and corporate debts is being compounded by the highest level of real interest rates at this stage of the economic cycle since the 1930s, as the chart on the UK News pages of today's FT shows. The nearer the economy shuffles towards the government's zero inflation target, the higher these real rates will become. Things may well get worse before they get better.

The depressing news that Ford UK is to cut the working week at two of its plants, because of sluggish car sales, dims any rays of hope that could be extracted from yesterday's output figures. While gross domestic product fell in the second quarter of this year, non-oil output rose by 0.1 per cent after seven successive quarterly falls. But the rise in manufacturing output that raised non-oil GDP was in anticipation of a post-election recovery in spending. This has failed to materialise, as the fall in retail sales in July confirms. Manufacturers now have little option but to cut production and draw down recently accumulated stocks, with Ford UK leading the way. A further wave of redundancies now looks inevitable.

The problem is debt, as the Bank of England bulletin amply shows. Lower nominal interest rates may have slightly cut debt service ratios, but the fall in house values means that outstanding debts are still rising as a proportion of housing wealth. A tenth of all households with mortgages now owe more than the value of their property. If house prices continue falling at their current rate, this number could easily double to 2m by 1994.

The Bank is correct in its diagnosis, but typically reticent in its prognosis. The outlook does not remain very uncertain, as the bulletin declares. It looks rather certain. Faced with high interest rate bills and deteriorating balance sheets, consumers have increased their savings. There is no reason to expect a change of heart.

If anything, the interest rate screw will tighten over coming months. Real interest rates are already above 6 per cent, compared with 1 per cent in January 1981, the turning point of the last recession. The combination of falling inflation and the Bundesbank's stout defence of its tight money policies, mean that real rates are probably heading higher. A vote for the Maastricht treaty in September's French referendum would reinforce the deflationary status quo. A "no" vote could force still higher interest rates, as the exchange rate mechanism comes under pressure.

Mr John Major is locked in. He wants a recovery, yet his main achievement – and principal boast – is lower inflation. But lower inflation would only raise real interest rates and make the recovery still more sluggish. He is well on course to achieving his inflation target. But that victory looks increasingly costly.

Industrial policy

THIS WEEK'S report that the US government may wind down its funding for Sematech, the semiconductor research consortium, will cause satisfaction in various quarters. Set up in 1987 to help US semiconductor manufacturers tackle Japanese competition, Sematech was an isolated example of US taxpayers' money being spent on industrial policy in the European manner. If the semiconductor manufacturers are now to be left to their own devices, the principle of free markets is apparently reaffirmed.

It may not be that simple. Sematech's demise is far from certain. If it comes, it will be at least partly because the programme has achieved its object. In essence, this was to demonstrate that state-of-the-art semiconductors could be made using only US equipment. This could not have been said five years ago. According to this week's report from the US General Accounting Office, it should be true by the end of this year.

The contrast with such EC initiatives as the Jessi semiconductor programme is instructive. Jessi is bigger, more complex and more diverse in its objectives. It is also something of a mess. The difference may be traceable to the fact that Sematech was born in the ideologically hostile environment of the Reagan years. This gave it three starting advantages: a restricted budget – $500m of government money in all, a quarter the size of Jessi; correspondingly modest and achievable aims; and senior figures from the semiconductor industry rather than bureaucrats to run it.

Granted, the wider effects of the project are not easy to define. At the outset, the underlying objective was to stop the US semiconductor industry's decline in world market share, then running at 3 per cent a year. The decline has duly been arrested. But this will have more to do with the achievements of individual US companies than with any technological advances produced by Sematech. The US industry also has a habit of holding market share during recessions and losing it again dramatically in the next upturn.

It might be queried whether the Sematech experiment will be repeated in the US. It is hard to envisage another industry arousing the same protectionist fervour as semiconductors, which are central to the future of the wider electronics industry. In addition, the argument that domestic production of advanced semiconductors is essential to national security has lost some of its force with the end of the cold war. The Japanese electronics industry, too, is in a much more chastened mood than five years ago, partly because of the bursting of the Japanese asset bubble.

It is therefore possible that Sematech will prove a one-off instance of co-ordinated industrial policy in the US. Either way, it points an awkward moral: that those countries which have least need of such policies are most likely to succeed with them.

Exam results

TODAY, HUNDREDS of thousands of UK school leavers will learn the results of their A-level examinations. Their future prospects – in higher or further education and the careers of their choice – will often depend upon the results. The headline news that entries and pass rates have again risen is cheering, but it cannot conceal the unacceptable damage which the A-level exam continues to inflict on the education system in England and Wales.

The A-level exam is a highly refined procedure which successfully selects a small minority of students to go on to university degree courses, which reach a world-beating standard in just three years. The hurdle is necessarily set high, to screen out the three out of four young people for whom there are no university places. For that majority, there are various post-16 technical and vocational qualifications which – despite government reforms – are still a long way from enjoying "parity of esteem" with academic qualifications among pupils, parents or employers.

For those permitted to attempt the A-level hurdle, the penalty for failure is high. One in five entries results in a fail grade, leaving the candidate with nothing to show for two years' intensive study of the subject. Even the successful entrants must bend to the system's iron determination to impose premature and excessive specialisation; the brightest and best are encouraged to become scientists and engineers who cannot communicate, or arts specialists who can barely calculate percentages.

Moves to broaden post-16 education have been resisted by ministers, who have been concerned to defend what they describe as the "gold standard" of A-levels. The only concession has been the creation of AS-levels, examinations which aim to reach the standard of A-levels with around half the content. While these offer the opportunity for young people to take more subjects in the sixth form, they have not proved popular with either pupils or schools (which find them hard to timetable). This year, there were fewer than 53,000 entries, compared with more than 730,000 at A-level: the AS-level has clearly failed to catch on.

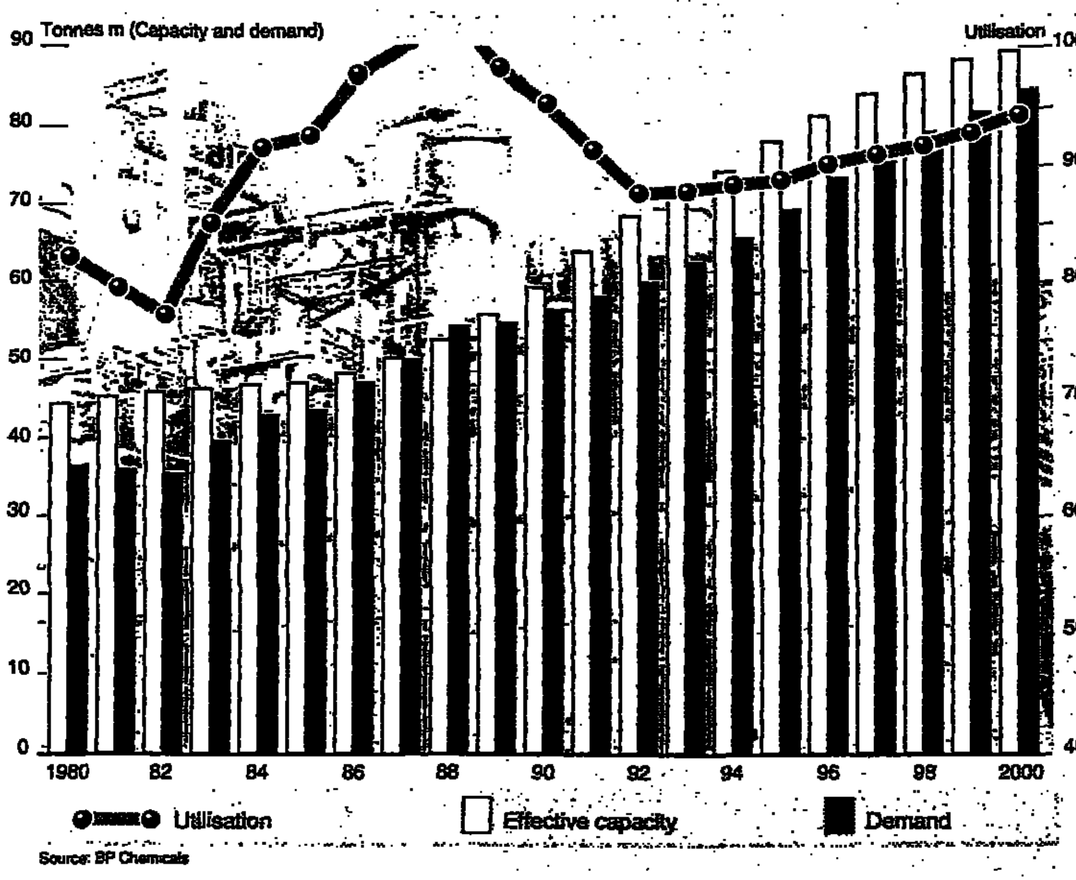
A broader curriculum is necessary, drawing on the excellent and proven model of the International Baccalaureate. IB students take six subjects, with mathematics, English and a foreign language compulsory. Three subjects are followed at a higher level and three as subsidiaries, with the final grade depending on performance in all six.

Whether this broader approach is adopted as part of a system which encompasses similar standards in technical and vocational education (as the French baccalaureate does) is a secondary matter. But the creation of a compatible system which provides a convincing range of qualifications suited to all talents and disciplines is long overdue.

Europe's petrochemicals industry is under threat, says **Paul Abrahams**

High time for plastics surgery

World ethylene capacity, demand and utilisation



Source: BP Chemicals

Four years ago Shell's petrochemicals division made profits of more than £1bn. Last year it made £23m. This year it is in loss.

Shell is the world's biggest petrochemicals producer, and the rest of the industry is suffering along with it. The sector is used to cycles of boom and bust, but this time the damage may be more lasting.

The immediate cause of the industry's plight is familiar. Petrochemicals manufacturers – which transform oil and gas into chemicals used principally to make plastics – are reeling under the twin burdens of recession and overcapacity. This last happened a decade ago, when losses were much heavier than any sustained before. But a new threat has emerged.

Capacity planned or installed by Asian manufacturers between 1988 and 1995 is equal to more than half of Europe's total production. This expansion threatens an imbalance of world supply and demand, weakening prices and margins possibly until the end of the decade.

The question is whether this leaves Europe with a long-term future in petrochemicals manufacture. This same question arose in the early 1980s when overcapacity and recession sent the industry into loss. But an extraordinary surge in demand near the end of the decade enabled the industry to recover. The final reckoning, however, may simply have been postponed.

In the late 1980s, petrochemicals producers were generating profits verging on the "pornographic", according to Mr Bob Lee, director of marketing of light hydrocarbons at Dow Europe, the subsidiary of the US chemical giant. The industry reacted by reducing bottlenecks in existing plants in an effort to expand production, sometimes by as much as 20 per cent. Europe's output of ethylene – the basic building block of the petrochemicals industry – grew from 16m tonnes in 1990 to 18m in 1992.

Now, Mr Lee says: "No one is making money in European petrochemicals." Prices and margins have been driven to an untenable low, according to Mr Roger Longley, a director at Chem Systems, the consultants. "Return on investment – presently at minus 2 per cent – looks foul," he says.

The collapse in profitability is only partly the result of weak demand. European demand for ethylene actually rose by about 7 per cent between 1990 and 1992, partly the result of increased demand for plastics from the automobile and building industries. But this rise was less than expected.

It is overcapacity that is inflicting the most serious damage. Not all of this is due to Asian competition. The European industry has been expanding production as well. Over the next two years four new ethylene plants, built by BP Chemicals, Enichem of Italy, and the German groups Veba and BASF, will begin production. Altogether, a further 2m tonnes will be added to an already oversupplied market by 1994. None of the new plants, costing some $3bn in total, is likely to recover the cost of construction before the end of the century.

Mr Peter Vogtländer, chemicals co-ordinator at Shell Chemicals, admits: "We became over-excited by the results around 1988 and 1989. With margins so high, we could pay a new plant off within a year. We forgot the lessons of the early 1980s. Some at the top of the industry should have known better."

Dr Gary Dirks, manager of international marketing of nitrogen at BP says: "My economist friends call this the downside of the capital cycle. My less erudite colleagues refer to it as the march of the lemmings."

Mr Lee of Dow estimates that within two years the European industry will be supplying 20m tonnes of ethylene a year at a time when demand will be only 15m tonnes to 16m tonnes.

It is unlikely that balance will be restored as quickly as it was in the mid-1980s. Then, a combination of falling fuel prices, rapid economic recovery and a 2m-tonne cut in European ethylene capacity helped the industry reverse its plight.

This time, the avenues of escape appear blocked. Demand is likely to remain disappointing at least until the middle of the decade as the principal international economies remain sluggish. Any increase in demand is unlikely to lead immediately to higher prices. There is oversupply in the US as well. Mr Longley of Chem Systems says: "If prices in Europe pick up American imports will flood in."

Nor can the European industry export its way out of trouble. Even during the best of times, European manufacturers are at a cost disadvantage to US and Middle East suppliers because they have limited access to cheap gas feedstocks.

The fall in the dollar has made Europe even more uncompetitive than usual, according to Mr Longley. The worst case is the basic plastic PVC, widely used in the construction and packaging industries. The most competitive European plant produces PVC at $563 a tonne. A US plant, using cheap gas rather than oil-derived feedstock, can sell PVC in Europe for $505, including tariffs and transport costs.

FAR EAST CAPACITY ADDITIONS ('000 tonnes a year)

	1988-90	1991-92	1993-95
Ethylene	3,085	3,055	5,210
Polyethylene	1,665	1,090	1,225
Polypropylene	995	940	710
Polystyrene	422	260	260
PVC	240	460	490

Source: Stuart Wamsley's Focus on Chemicals

This imbalance has prompted a shift in the balance of trade. In 1987 Europe was a net PVC exporter of 200,000 tonnes. By last year it was a net importer of 260,000 tonnes.

Such difficulties are prompting calls for action. "We just can't afford to grit our teeth and sit it out waiting for demand to pick up. That would take until the late 1990s. The industry has to rationalise," says Mr Lee at Dow.

In a perfect market, the squeeze on margins should mean the least efficient producers close their plants. But before the sector can rationalise it needs to overcome some significant barriers to exit. These include:

- Cost considerations. The cost of closure, including redundancies and environmental clean-up, is expensive in the short term. And even if plants are not producing profits, they may well be generating cash.
- The most inefficient plants were closed in the early 1980s. The difference between the most and least efficient of Europe's 53 ethylene cracking plants remains considerable. But the number at either extreme is limited – there are few laggards left.
- A lack of urgency. Many petrochemical operations are part of larger organisations, often state-owned, that do not have proper financial discipline, says Mr Vogtländer. He says many companies are not aware of their competitive position and blame their present predicament on the market rather than their inefficiency. The tendency is to do nothing and hope the problem goes away, agrees Mr Eric Edwards, a BP manager.
- The difficulty of closing ethylene plants which supply derivative plants producing plastics such as polyethylene, polypropylene, polystyrene and PVC. Closure of the ethylene plant may mean that derivative sites also have to be closed.
- Political factors. Some plants may no longer be financially viable, but the economic impact of closure on local communities is, in some countries, regarded as unacceptable. One manufacturer comments: "The Italians have cornered the market in laggard plants, but closing them is politically impossible."
- The attitude of the European Commission. The industry fears restructuring could be blocked or delayed by the Commission which is fearful of cartels emerging.

In spite of these barriers, one leading company in the industry claims there are as many as 14 deals in the offing across Europe aimed at rationalisation and reducing capacity. These range from disposals to joint ventures, mergers, asset swaps and plant sharing agreements.

Most companies have drawn up lists of European plants that should be closed. They include those which are too small or too old to be economic. Few companies include their own plants.

Some steps have already been taken. Internal memos at BP Chemicals talk of a choice between "rapid, decisive measures or slow death". Last week the company revealed it was selling a polyethylene plant at Antwerp to Neste of Finland. ICI has announced it is looking to swap assets or set up joint ventures with other companies in the industry.

But in spite of such moves, the rationalisation process across the industry is likely to be slow. It needs guts and determination says Mr Vogtländer. "I would be amazed if it took sooner rather than longer, but I hope I will be wrong," he adds.

Even if the European industry does succeed in restructuring, its future is likely to remain uncertain. "The industry believes that when demand eventually picks up so will prices and margins. They won't," says Mr Stuart Wamsley, editor of Focus on Chemicals, an industry newsletter.

The main reason will be the ambitious expansion of supply in Asia. In 1988, South Korean ethylene capacity was only 500,000 tonnes a year. Next year it will 3.2m tonnes. China intends to double ethylene output from 1.8m tonnes a year in 1990 to 3.7m tonnes by 1995. Together with China, Thailand, Indonesia, Taiwan and Malaysia are expected to add a combined 2.45m tonnes in new ethylene capacity by the middle of the decade.

"As the Asian plants come on stream, European companies will find it increasingly difficult to export to Asia, exacerbating the oversupply problems in Europe," says Mr Wamsley.

Moreover, as European exports decline, so imports are set to increase. Low-cost Middle East suppliers, increasingly squeezed by the new Asian manufacturers, will be forced to divert product to Europe.

Further, although Asian manufacturers may have no obvious cost advantage over the Europeans, Mr Wamsley believes they too will increasingly export to Europe and will sharply cut prices in an effort to generate cash. Backed by large conglomerates, the Asian producers, such as Korea's Hyundai Petrochemicals and Formosa Plastics of Taiwan, appear willing to endure losses to win market share.

"There is no room for European manufacturers of commodity chemicals," warns Mr Wamsley. "Once the far eastern plants come on stream, the Europeans don't have a hope in hell."

The European shipbuilding and man-made fibres industries – both virtually destroyed by Asian competition – provide potent warnings for Europe's petrochemicals sector. If the industry is to avoid their fate, it will have to rationalise with a speed and determination which it has yet to demonstrate.

BOOK REVIEW

A prophet of loss

ACCOUNTING FOR GROWTH
By Terry Smith
Century Business £12.99. 223 pages

It's bold, it's brash, it's labelled "the book they tried to ban". And a month before it was due to be published, it is already on the shelves.

Rarely has a technical business book attracted so much advance publicity. The decision by UBS Phillips & Drew, the securities house, to suspend Terry Smith, the author and head of its UK research department, has been well reported. UBS has issued a writ against him and his publisher after complaints from at least one of the companies cited in the text.

Readers may find that the book does not deliver all it promises. It begins with a clear and important question: how can a company fail when its most recent set of accounts show a profit? Recent examples include Polly Peck, British & Commonwealth and Maxwell Communication Corporation. During the past decade, there have been many more.

The book sets the scene with a brief historical tour through the 1980s, which it calls the decade of the deal. Corporate finance activity expanded sharply, mergers and acquisitions surged and debt soared.

After the party, the hangover of the 1990s. Companies are trying to reduce their debt burden in favour of raising money through share issues. But many are too late, says Smith, leaving "bleeding balance sheets, soaring bad debts, devastating bank profits and penniless shareholders. The scene is littered with tarnished reputations and broken careers ... and jail."

Accountancy, Smith argues, must take a share of the blame. Its flexible rules have allowed companies' financial information to be presented in ways that provide few warning signs to investors of the true position.

In 12 chapters Smith explains a series of accounting techniques which have had the effect of improving the profits or reducing the significance of the debt on many UK balance sheets. None breaches existing standards.

Smith does a good job of describing the techniques and their effects, illustrated with extracts from company accounts. He also provides three more detailed case studies of collapsed companies in appendices.

The final chapter is probably the most useful. It lists six "survival techniques" for investors in the "accounting jungle". Above all, Smith stresses that lack of cash is the reason companies fail – profits are secondary. He says investors should read accounts from the back forwards, looking for discontent in the resolutions at the annual general meeting, and the note on contingent liabilities, while skimming over the often uncritical chairman's statement at the front.

Most of the controversy surrounding the book has been generated by a single 11-page chapter towards the end. Smith publishes a series of tables showing the top UK quoted companies, with blobs against each to show which of them uses the 12 techniques he has described.

He is careful to issue provisos, stressing that inclusion "does not automatically mean that the company is indulging in creative accounting". But the implication – reinforced throughout the book – is clear: companies which use the techniques are massaging their figures.

Unfortunately, his case is not proven. The techniques he lists are not only legal but also widely used. A case can be made for "capitalising" costs by putting them on the balance sheet in certain circumstances, for example, a technique he attacks. Indeed, the practice is compulsory in the US.

Most of the methods he highlights have either been changed or are under scrutiny by the new Accounting Standards Board and its associated bodies. This means the book's interest is historical and it is of little use as a predictive tool for identifying future collapses.

In fact, Smith fails to establish the link between accounting practices and financial difficulty. He cites the poor share performance last year of a number of the companies which used at least five of the techniques. Yet his evidence is selective. He does not compare these figures with the worst-performing shares on the stock market during the period. He does not even include all the quoted companies which used at least five techniques.

An analysis by Ernst & Young, the accountancy firm, shows that the average share performance of companies which did not use any of the techniques was worse than those which used at least five.

There is a more fundamental problem. Smith draws heavily on public information in company accounts. Analysts ought to be able to extract this information and recalculate if they disagree with the accounting treatment adopted. Admittedly, this may be more difficult for less-qualified investors.

The whole thrust of reform by the Accounting Standards Board is that investors should be less concerned with a single number – particularly earnings – and more with the accounts as a whole. It is the concentration on profits which has encouraged companies to inflate that figure. The book reveals at least as much about the readers of accounts – particularly analysts – as it does about their compilers.

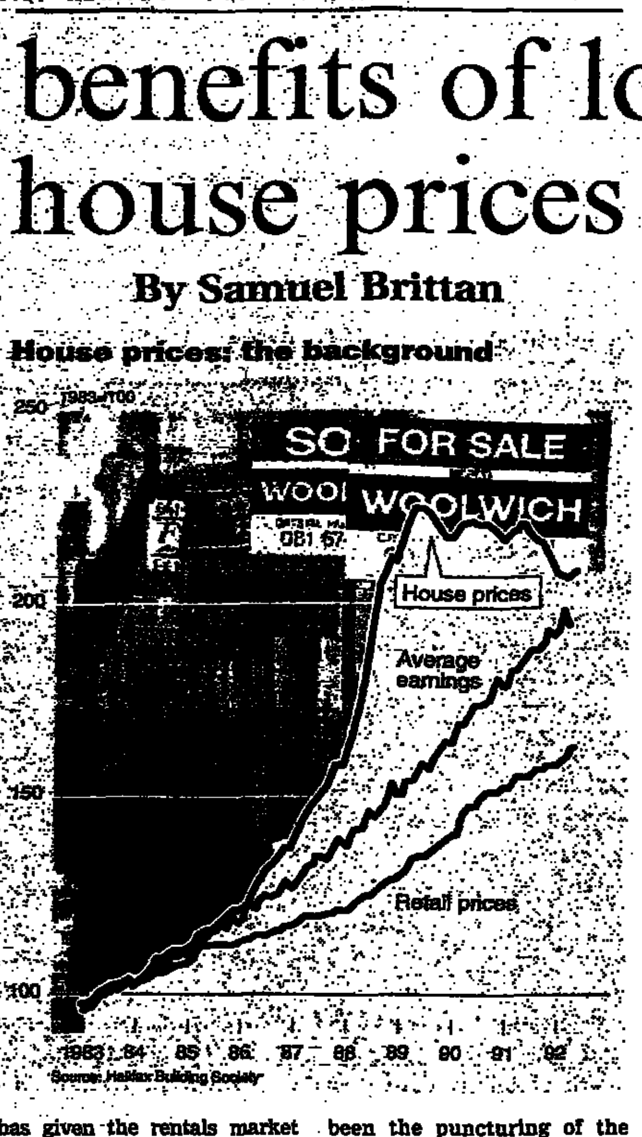
Andrew Jack

ECONOMIC VIEWPOINT

The benefits of lower house prices

By Samuel Brittan

House prices: the background



Is there a contradiction in calling for lower inflation and a rise in UK house prices? Of course, there is. Asset prices, whether of commodities, houses or shares, are more volatile than the general rate of inflation. When inflation merely slows down, asset prices fall. When inflation rises slightly, asset prices rise by leaps and bounds, although there is no neat synchronisation.

Just as most of the more sensible documents related to popular equity ownership contain a warning that share prices can go down as well as up, there should be a similar notice in every house agent's window.

If we are serious in wanting stable prices, then we can hardly want a revival in house prices at so early a stage in the economic cycle: and schemes which attempt to bring this about are misconceived.

House prices are on average some 10 to 20 per cent below their 1989 peaks, depending on the index used. But the regional variations have been large. According to Nationwide, the price to a first-time buyer in East Anglia is now a third below its 1989 peak. Any forthcoming economic package should be limited in intention to trying to discourage further falls and not to restarting the disastrous housing escalator.

It is time to consider the benefits of lower house prices. In his article in the Weekend FT of August 8, John Authers mentioned that the initial annual mortgage payment, expressed as a percentage of average earnings, had fallen by a third for a first-time buyer from its 1989 peak. This is a great gain.

Such couples are nevertheless still reluctant to buy, partly because of the general lack of confidence, but also because they are holding out for further price falls. The worst way to try to overcome this hesitation would be by an inflationary boost to the housing market. A rising trend of house prices would make it more expensive for future newly formed households to acquire accommodation, and thus impede the mobility of labour which ought to be one aim of housing policy.

Another bonus from lower house prices has been the long-delayed revival of the rented sector. There have been numerous cases where letting has recently seemed a better proposition than leaving properties empty or selling them at a knockdown price. A sitting tenant is no longer always the drag on house values he or she used to be. The combination of rent decontrol on new tenancies and the house-price slump has given the rentals market the biggest kick start it has had for decades.

Rented accommodation is inherently more convenient for many people, including the young and professionally mobile, than the commitments of home ownership. Such people were deterred from renting both by the lack of suitable properties, following decades of rent control, and by the belief that they would be fools to miss out on an investment which was sure to beat inflation by a comfortable margin.

It will be a gain if houses are now seen as dwelling places rather than as sure double-your-money investments

It will be a great gain from recent developments if people now regard houses as places to live rather than as guaranteed double-your-money investments, and allow the choice between buying and renting to be dictated by circumstances. People will no longer feel an economic imperative to "trade up", and will decorate their homes to suit themselves rather than the estate agent. An even bigger social gain will be the end of houses as a topic of dinner table conversation. (If we could banish schools as well, we would really be getting somewhere.)

Last but by no means least in the litany of benefits has been the puncturing of the price of urban land. At the end of the last decade, land constituted nearly 45 per cent of the price of a new dwelling in the south-east and East Anglia. This was a diversion of the national income from both capital and labour to the providers of space, for whom it was just a windfall gain.

And one did not have to be an egalitarian to dislike the distributional effects which diverted an increasing proportion of the national income both to the owners of landed estates and the pension funds. In Greater London the average price of a hectare of land shot up from £390,000 in 1981 to £3.096m in 1989. By the first half of 1990 it was down again to £2.078m. There will be few tears about any further drops.

The main focus of attention in recent discussion has, however, not been today's buyer, but the plight of those who bought homes in the boom of the late-1980s, whose dwellings are now worth less than the outstanding value of their mortgages. The Bank of England has estimated that there are nearly a million of these householders, with a total negative equity of £6bn, three-fifths of whom are to be found in the south-east. But it would be no more reasonable to restart inflation for their sakes than it would be to restart it for the benefit of property developers and their banking backers who are having difficulty in maintaining their policy of upwards-only rent revisions.

There is an analogy with the victims of commodity price fluctuations. The latest thinking is to avoid rigging prices and instead to extend direct credits to the victims. Indeed, a special compensatory finance facility of the International Monetary Fund exists for this purpose. The aim is to cushion the well-being and spending power of the victims without impeding necessary price changes. A similar approach should be applied to homeowners in difficulties.

An example of the right sort of relief would be to raise the £10,000 limit on building societies' unsecured lending, so that they can lend to homeowners who are good credit risks, but have been caught out by recent developments in the property market. An increase in total mortgage interest relief should be avoided like the plague, but the existing concession could be rearranged to make more available in the early years.

It is important not just to avoid panic attempts at house-price boosting now, but to break the boom and bust cycle in the longer term. It is the boom that causes the bust as well as troubles of its own.

There is no law of the Medes and Persians that house prices must in the long run rise at least as fast as earnings and twice as fast as the retail price index. This apparent trend was due to the rapid growth in households, "Nimby" planning restrictions, rent controls and fiscal privilege for home ownership. The Nimby restrictions remain, but many of the other influences are declining. The restriction of mortgage interest relief to the basic rate will reduce fiscal privilege. So will the council tax due to start next year, which will re-establish in small measure some taxation of the benefit in kind from home ownership.

Obviously the early 1990s have not proved the ideal time for either reform. But neither could be made while Mrs Thatcher was prime minister, with her misidentification of home ownership with economic virtue. If we wait for the ideal time no reform will ever be made.

The task should be not to lose the benefits of the housing shake-out, but to convert them into long-term structural gain which will remain when recovery comes.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Unit trusts, derivatives and Imro

From Mr J A Morgan.

Sir, You suggest incorrectly ("Unit trusts faced with hedging restrictions", August 17) that Imro has issued guidance which permits unit trusts to be invested on derivatives only in "rare circumstances". Imro has issued no guidance on correlations between portfolios and indices and has not specified any percentage of congruence to be achieved by portfolio managers hedging their positions. This would be inappropriate unless the views of practitioners had been established. The statement attributed to Mr Graham Dunnachie does not reflect Imro's position.

There is much debate on the subject of "congruence". SIB has invited industry representatives to submit views on how indices may be used for hedging unit trusts. When those views are received, they will be considered carefully by Imro and SIB. Policy will not be set before the industry has been properly consulted.

J A Morgan,
chief executive,
Imro,
5 Appold Street,
London EC2A 2LL

Laying low the ghost of rent control

From Mr M A Philcox.

Sir, Professor Gavin McCrone (Personal View, August 17) correctly identifies the benefits of an enlivened private rented sector, the help it would provide in getting out of recession and the critical importance of persuading institutions to re-enter this market. But he is off the mark in saying that "rent controls . . . have now been removed".

Rent controls still exist and, if anything, are being applied with increasing intensity. In the east end of London, "fair rents" on properties controlled under Section 70 of the Rent Act of 1977 are about 20 per cent of open market rents – probably the lowest relative level for many years.

Our company has one controlled tenancy dating from 1945 in which, by way of his subsidised rent, the tenant has received more than twice the capital value of the property he occupies. The means the DoE uses to maintain controlled rents at derisory levels amount to an abuse of the legal system.

Institutions abandoned the private rented market because many fingers were burned by retroactive legislation creating controlled tenancies out of agreements freely entered into by both parties. The large number of empty flats above shops and offices in every high street reflects the resolve of the same institutions not to expose their fingers again.

As long as there are controlled rents for a significant number of tenants, the private rented sector will never be revitalised. If the government seriously wants to enliven the private rented sector it could do so at a stroke by abolishing rent control. But is is unlikely to do so, if only because this would increase the PSBR through housing benefit claims and, perhaps, deprive it of the votes of those tenants who would now have to pay a proper rent.

The government apparently hopes the passage of time will solve the problem: rent-controlled tenants, many of them elderly, will eventually die off. But I need hardly point out that landlords are growing old at roughly the same rate.

M A Philcox,
Park House Properties
Delta House,
181-183 Romford Road,
Stratford, E15 4JF

Maxwell woe

From Lord Stevens of Ludgate.

Sir, I write at your invitation to clarify a comment in Bronwen Maddox's interview with me ("Bumpy transition for a lord of the City", August 5) which has been misinterpreted by a number of newspapers. The reported quote concerning those "double-crossed" by Robert Maxwell was not, of course, directed at Mirror Group pensioners and shareholders who tragically suffered at his hands, but at those in the City and industry who dealt with and were taken in by him.

Daniel Stevens,
chairman,
United Newspapers,
245 Blackfriars Road,
London SE1 9UY

Diesel demon

From Dr S D Dover

Sir, BR's plans to run diesel locomotives to the Channel tunnel raise the question why it uses diesel *anywhere*. The smoke above London's King's Cross and Paddington stations does not advertise rail as an environmentally friendly alternative to road.

S D Dover,
17 Heath Hurst Road,
London NW3 2RU

New law not necessary to achieve board accountability

From Mr Martin Taylor.

Sir, Dr Maurice Gillibrand (Letters, August 11) is wrong in his premises and his conclusion that further legislation is needed to make company boards accountable.

First, he is wrong to believe the CBI opposes the Cadbury Committee's recommendations. Rather, the CBI finds many positive features in the code at the centre of the Cadbury committee's draft report. Much of it represents what CBI members consider best practice.

But we reject Cadbury's proposal that a statement of compliance with the code in the annual report and accounts be made a Stock Exchange listing obligation. Disclosure in this form will be bureaucratic because a statement which is both a listing obligation and subject to review by auditors will have to pass muster with a company's lawyers. Questions of interpretation will inevitably be raised, and explanatory notes and more detailed rules will surely follow.

The proposal is also unnecessary because it ignores how compliance will be achieved in practice. The code is, in effect, a checklist against which boards can measure themselves. It is also a tool which institutional investors can use: it is they who can effectively urge reform on boards which are failing to perform. They do not need the mechanism of a listing obligation.

Dr Gillibrand asserts that boards have become self-perpetuating. This scarcely squares with the evidence of changes in the leadership of companies where shareholders have become dissatisfied.

For accountability to achieve its purpose, it needs to be exercised by regular process rather than dramatic intervention. Annual general meetings can be part of that process; and active participation by shareholders should be encouraged. We have urged that the responsibilities of shareholders (especially the institutions), as owners of the business, be spelt out in the Cadbury code. Institutional shareholders should, whenever possible, use their voting rights and declare to companies in which they have invested how they intend to exercise them

Finally, Dr Gillibrand is wrong to conclude that more company legislation is needed and that two-tier boards should be part of reform. Matters in the code such as the calibre and independence of non-executive directors cannot be legislated. It is an error to suppose that the supervisory board can be transplanted from a country in which it has deep roots (back to the 1920s in Germany) and be fruitful in quite another tradition.

Cadbury has already prompted many companies to review their board structures and procedures. The CBI looks forward to carrying the debate forward at its national conference in Harrogate in November at which Sir Adrian Cadbury will be presenting his recommendations.

Martin G Taylor,
chairman,
CBI Companies Committee,
103 New Oxford Street,
London WC1A 1DU

OBSERVER

A Masters in show-biz

■ Wherever there is money and celebrity press clippings, it is a near certainty Alan Dershowitz will not be far behind. So, as the Mia Farrow-Woody Allen bust-up descends into increasingly murky territory, it is no surprise to find the 53-year-old lawyer taking centre-stage.

In this case, Dershowitz – author of legal tracts such as Chutzpah 1991 – is acting for Farrow. So far, his public role has been to act as her spokesman, emphasising her laudable desire to have the whole business resolved in private.

It may turn out to be one of his more sympathetic cases: Dershowitz has recently defended Mike Tyson, who is serving a prison sentence for rape, hotel queen Leona Helmsley, in prison for tax evasion, Mike Milken, the jailed junk bond king, and TV preacher Jim Bakker. He certainly gets the high profile clients. But it's more difficult to judge how well he has done.

Perhaps the irony is that Dershowitz – who sprang to fame when he successfully defended Claus von Bulow against attempted murder charges in the early-1980s – has been described in the past as "a Woody Allen look-alike".

It was "Reversal of Fortune", which starred Jeremy Irons and was based on the von Bulow case, which made him a household name. How many other Harvard professors are as well known as Dershowitz?

Quis custodiet?

■ Isn't it about time somebody conducted a value-for-money investigation into the Audit Commission, the watchdog charged with promoting efficiency in local government and the health service?

Its annual report deserves rigorous attention. The fees charged to local authorities rose by an average of 6.6 per cent during the 1991-92 year, compared with an inflation rate of 4.1 per cent.

The report tries to justify this by comparing the rise with the 6.7 per cent rate of salary inflation in the financial sector. Average salaries rose by more than 10 per cent to £34,674, despite a fall in staff turnover for the third successive year.

Meanwhile, Controller Howard Davies took a hardly less generous 9.9 per cent rise in total remuneration to £106,018. To be fair, at least one knows what he was getting, which is more than can be said now that he has moved over to the CBI.

The Commission has conducted a review of its own central costs which highlighted a number of areas where there was scope for savings.

Perhaps it would be more convincing if an outside body carried out an efficiency investigation. How about calling in the National Audit Office, the Commission's less glamorous rival?

Sweet smell

■ Does your office suffer from a malodorous ambience, or to put it bluntly, stink? Good news awaits all long-term sufferers of smelly workplaces or nasally-challenging shops.

The latest wunderkind of the marketing world is launching itself next week as what it claims is the world's first "smell consultancy".

Marketing Aromatics promises corporate clients that it will first clean up the air and then add fragrances to "create particular moods" or neutralise "unpleasant odours, impregnating product or

"A gypsy put a curse on him."

corporate literature or even endorsing a company's corporate identity".

Unfortunately, there is no whiff of the company being able to impart that smell sweetest to the hearts of today's hard-pressed chief executives – success.

Pardon moo

■ Meanwhile, Japanese scientists are doing their bit to blow away another noxious pong.

At a cost of Y80m, they plan to find new micro-organisms which would produce methane-free belches from cows. It seems cows, sheep and goats – not to mention swamps and paddy-fields – produce 15 per cent of the global-warming gas.

Will tripe ever be the same again?

Voter lickin'

■ So who does the president of the United States turn to for help in crafting the most important speech in his political career?

Step forward, Steve Provost, the man from Kentucky Fried Chicken. Only a few months ago he was an unheard of 32-year-old pr flack in a division of Pepsi-Cola; now he is working on the final draft of Bush's acceptance speech.

The President's give'em hell arrival speech at Houston went down well and, along with Ray Price, Richard Nixon's chief speech writer, young Provost is hoping to do even better tonight.

Provost, who only arrived in the White House this summer, is credited with injecting an increasingly fiery tone into the president's often-limp prose.

90 degree turn

■ What was all that nonsense about old dogs and new tricks? Yvonne L'Hostis, a grandmother of 90, has just become the oldest person ever to pass the baccalaureat, the notoriously tricky French exam, usually taken at the tender age of 18.

L'Hostis, who was awarded an eminently respectable *'bien'* grade, is now considering continuing her education by applying for a place at university.

Late arrival

■ A lawyer, who had recently passed away, is met at the pearly gates by thousands of angels. "Is this the normal size of the reception committee?" the lawyer asks St Peter.

"No," replies St Peter, "but we thought it would be nice to make a special fuss of you, because you are the oldest person ever to make it to heaven."

Puzzled, the lawyer asks why the reception committee is so sure. "It's simple," replies St Peter. "We checked your time sheets and just added up the hours."

FINANCIAL TIMES
Thursday August 20 1992

Yeltsin announces the handout of property

By Leyla Boulton and John Thornhill in Moscow

PRESIDENT Boris Yeltsin, appealing to Russians to put up with painful market reforms on the first anniversary of the abortive coup, yesterday announced plans for every citizen to become a property owner.

In an anniversary broadcast, he said vouchers entitling every man, woman and child to Rbs10,000 worth of privatised property would be distributed free from October 1 through local savings banks.

"This is a sort of ticket to a free economy for each of us. The more property owners and business people appear in Russia . . .the more benefit Russia will obtain and the more secure its future will be," Mr Yeltsin said, warning that the country would not survive any attempt to return to Communism.

In an attempt to sweeten the pill of falling living standards, he also announced a 50 per cent pay increase for teachers, health workers and other public service employees. He said the voucher plan would entitle every citizen to buy shares "in any enterprise anywhere in the country". He said voucher holders would also have the option of entrusting their vouchers to funds which would buy shares on their behalf.

This is the latest step in the government's laborious privatisation programme, which is one of the reasons why many state-owned enterprise managers are clamouring for the resignation of the cabinet headed by Mr Yegor Gaidar, the acting prime minister.

Mr Gaidar, who will be strengthened by this new show of support from the Russian leader, yesterday defended his reforms with a warning that the only alternative was dictatorship.

"If you are not ready to go towards a market system swiftly and with determination, introducing emergency rule is the only way out," he wrote in Izvestia yesterday.

"On August 19 [1991], the coup plotters tried to cut through a Gordian knot of social and political problems by reverting to discipline based on orders and detention camps".

Underlining the split in the country's "democratic" forces, vice president Alexander Rutskoi repeated calls for an "economic state of emergency" - an ill-defined recipe which he denies has anything to do with the state of emergency sought by the coup leaders. He said urgent action was needed to stop a freefall in industrial production.

Meanwhile, Mr Telman Gdlyan, a militant anti-communist who made a name for himself investigating high-level corruption under President Mikhail Gorbachev, claimed yesterday that a "fifth column" was preparing a new coup.

The anniversary was marked by a rally for those who ringed Mr Yeltsin's White House this time last year to defend it against Soviet army tanks.

The rally attracted just a few thousand people – fewer than the organisers had hoped for but enough for it not to be called a failure.

Key figure in EMS creation to join Bundesbank council

By David Waller in Frankfurt

MR HORST Schulmann, a former senior economic adviser to Mr Helmut Schmidt, former German chancellor, and a central figure in the creation of the European Monetary System, is to join the Bundesbank's policy-making council.

Mr Schulmann, 59, managing director of the Institute for International Finance in Washington, will bring to the Bundesbank an exceptional blend of domestic and international monetary expertise.

He has been nominated by the regional government of Hesse as successor to Mr Karl Thomas as president of the local state central bank, who sits on the Bundesbank council along with Germany's other state central bank chiefs. Mr Thomas died unexpectedly this month after serving just 2½ years of an eight-year term.

The appointment, still to be ratified by the Bundesrat, the upper house of the German parliament, may add to the central bank's credibility at a time of controversy over its restrictive monetary policy.

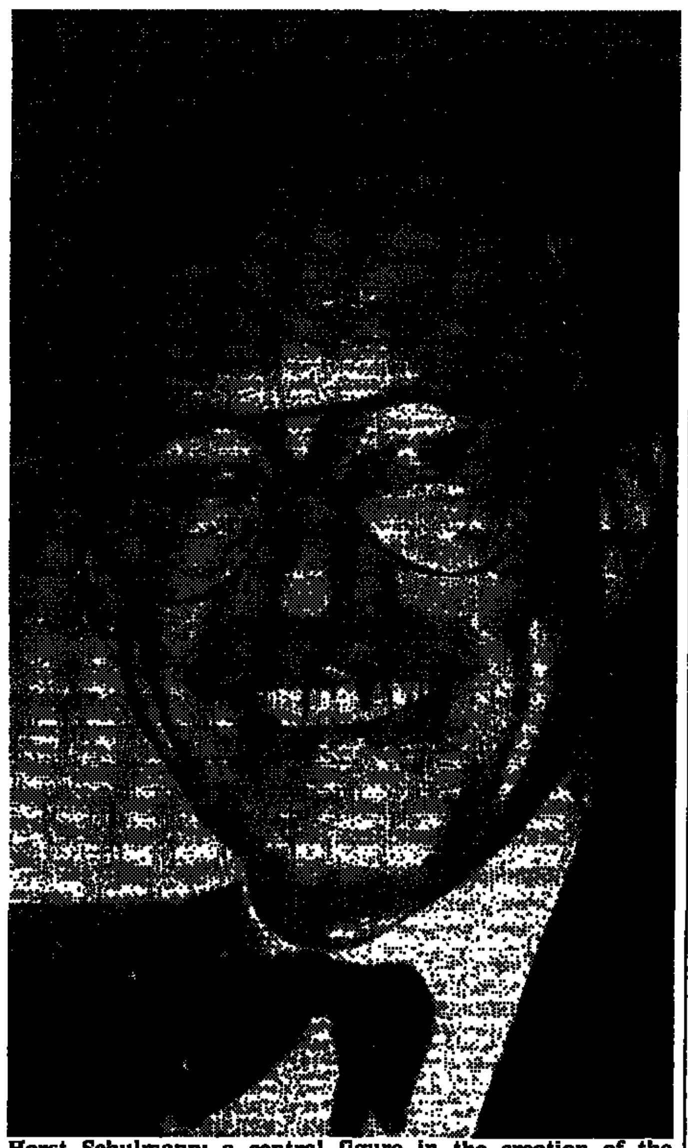
His influence is likely to prove a counterweight to the mainly domestically-orientated policy views of other members of the Bundesbank council.

Mr Schulmann was Mr Schmidt's personal representative for economic summits between 1978 and 1982, and in 1980 he was appointed state secretary at the finance ministry. He spent four years as a senior executive at the World Bank in the early 1970s.

Mr Schulmann joined the Institute for International Finance as deputy managing director in March 1984, taking over as managing director in January 1987. The IIF is an agency set by international commercial banks to monitor Third World debt.

As "sherpa" to Mr Schmidt, he helped prepare the ground for a succession of western economic summit conferences from 1978-82. He also helped usher in the EMS in 1978. He accompanied Mr Schmidt at a historic meeting with the Bundesbank council in November 1978 at which Mr Schmidt tried to overcome Bundesbank hostility to the setting up of the EMS.

The state central bank in Hesse has important responsibilities for regulation of Frankfurt's financial services sector, Germany's largest. Mr Schulmann He seems likely to pursue measures designed to strengthen Frankfurt as a financial services centre.



Horst Schulmann: a central figure in the creation of the European Monetary System may add credibility to the Bundesbank by helping to counter its mainly domestic orientation

Stagnating Germany, Page 2

Weak UK sales indicate economic inertia

By Emma Tucker, Economics Staff

UK OUTPUT excluding oil and gas extraction rose in the second quarter for the first time in almost two years, but another fall in retail sales last month suggested that immediate prospects for economic recovery remain dim.

Non-oil gross domestic product rose by 0.1 per cent in the three months to June 30, compared with the previous quarter, but weak oil production caused overall GDP to fall by 0.1 per cent. The year-on-year rate of decline was 0.7 per cent.

Other figures from the Central Statistical Office yesterday added to recent evidence of economic inertia. The volume of retail sales fell in July by 0.3 per cent from the previous month.

The small rise in non-oil GDP in the second quarter ended seven successive quarters of falling output that began in the second quarter of 1990. Over that time, non-oil output fell by a total of 4.3 per cent.

GDP including oil and gas production has not shown the same sustained fall because of a slight increase in output in the third quarter last year due to extra activity in the North Sea.

Apart from that small upwards blip, overall GDP has fallen by 4.2 per cent since the second quarter of 1990.

The cumulative fall in output is not yet as steep as the drop at the beginning of the 1980s when output fell by 5.5 per cent over five successive quarters.

Mr Tony Nelson, economic secretary to the Treasury, said the rise in non-oil output showed the economy was emerging from a "long and serious" recession and that prospects for a recovery were looking brighter.

For Labour, Mr Gordon Brown, the shadow chancellor, said yesterday's figures revealed an economy "tragically stuck" in the grip of recession.

"Even this government must recognise that action is urgently needed to restore confidence and deal with the unacceptable levels of unemployment, business collapses and personal bankruptcies," he said.

A breakdown of the provisional seasonally adjusted figures from the CSO showed that the small rise in non-oil GDP reflected an increase in manufacturing output in the second quarter.

Manufacturing output, which accounts for just over one-fifth of total GDP, rose by 0.4 per cent in the three months to June 30, compared with the previous quarter.

Service sector output was unchanged on the previous quarter, but was 0.6 per cent lower than for the same period of 1991. Output of the distribution, hotels and catering sector rose by 0.3 per cent on the previous quarter.

The other significant components of GDP - including construction, transport and communication, and banking and business services - were estimated to have fallen slightly, or remained flat on the previous quarter. Output of in the service sector was 0.6 per cent lower than a year ago.

Oil and gas extraction fell by 4.3 per cent on the previous quarter but was 7.5 per cent higher than a year ago.

Details and background, Page 7
Interest rates chart, Page 7
Editorial Comment, Page 12
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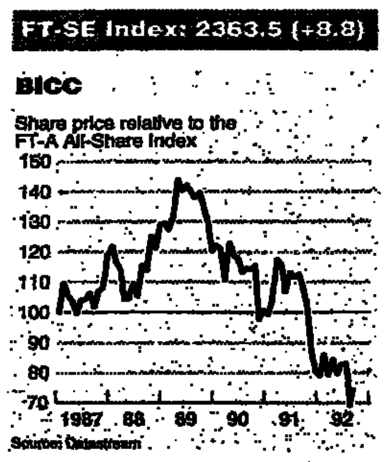
THE LEX COLUMN

Underpinning at BICC



Yesterday's presentation by a triumvirate of Scotsmen – two of them chartered accountants - looks to have persuaded some in the City that the UK cables and construction group has merit in these turbulent times. The company's strong first-half cash performance is certainly reassuring, not least in view of the money squandered on housebuilding and commercial property in the past. But whether yesterday's 6 per cent rise in the shares can be sustained may depend largely on what happens to margins in the group's dominant European cables business over the next 12 to 18 months.

That in itself is progress for BICC, which has long been dogged by balance sheet worries and the uncertain scale of further property provisions. The recent rights issue has allayed fears about the former, even if most of the £130m remaining off-balance sheet debt is guaranteed by the parent and treating the convertible as debt makes gearing less comfortable. A major write-down for Spitalfields can probably not be staved off much longer, but the rent roll achieved so far on completed developments suggests that current valuations are no longer wildly unrealistic. Provided it was not merely a negotiating stance for the benefit of Eurotunnel's Sir Alastair Morton, yesterday's insistence that there will be no more provisions for the Channel tunnel is the best news of the lot.

Given that at least some of Balfour Beatty's markets will remain grimly depressed, prime responsibility for maintaining the pay-out beyond this year rests with European cables. Current difficulties are not wholly reflected in the 19 per cent reported drop in first-half operating profits, due to first-time consolidation for Spain. But a 9 per cent yield on the shares is surely adequate insurance against things getting worse.

UK economy

Presumably not even the chancellor will use yesterday's GDP figures to herald the end of the recession. The tiny rise in non-oil output is well within the margin of error, and the contrast with July's retail sales figures is illuminating. It seems clear that those retailers who stocked up in anticipation of a post-election recovery have had to cut prices heavily to move goods. The prospect now is for another round of destocking moving back up the manufacturing chain, and the economy may well shrink in the third quarter. Ford's decision to move Dagenham to short-time working may be mostly related to weakness in the continental car market, but it also seems likely that August car sales in the UK will be disappointing.

Further out, there seems little to tempt the consumer from his shell. High real interest rates, fear of unemployment and falling house prices are still powerful restraints. Added to that, today's broad money supply figures may well point to low growth – or even no growth – next year.

Marley

Marley first warned of a downturn in profits three years ago and has paid an uncovered dividend for the past two. No surprise, then, that the market barely twitched yesterday on news that the pay-out this year will be cut by a third. Of greater concern for the sector as a whole, however, are indications from Marley's interim figures that producers are losing control of pricing across the range of UK building products. The cyclical softness in brick prices now extends through roof tiles and aggregates. Conditions could deteriorate through the second half if big players, notably Redland following the acquisition of Steetley, take an aggressive stance.

Without increased demand from the construction industry – and Marley made plain yesterday it expected no such upturn until well into next year or 1994 – margins will be restored only if excess capacity is taken out. This could imply a further round of provisioning. Hepworth got the ball rolling last month by flagging unspecified reorganisation costs in the second half. Marley's decision to close two Thermalite plants could give rise to an exceptional charge of £10m, suggesting the dividend will not be covered this year even at the reduced rate.

With Marley's margins under such pressure, cost savings are not flowing to the bottom line. Even a sharp reduction in working capital and interest costs this year will be balanced by the write-off of up to £1.5m ACT because UK profits are so low. Albeit rather belatedly, the company is taking steps to form a base from which earnings can grow. But against a background of serious weakness in its core market, a prospective yield of 7 per cent leaves little to chance.

Euro Disney

These days a 7 per cent fall in Euro Disney's shares is almost unremarkable. Yesterday's slide, though, highlights how easily the French stock market can be unsettled in the run-up to the Maastricht referendum. True, the markets are thin and there was selling from New York, but in more confident times such pressure would have been easily absorbed.

The fall also points up the market's difficulty in valuing the shares. With the company likely to report a loss this year and doubts about dividend prospects for 1993-94, Euro Disney still looks expensive. Bulls argue that the cash flow models used to value the shares at flotation may have been over-optimistic, but that when fed with current assumptions they justify the share price. As dividends slowly approach, the idea still deserves a hearing. But with investors refusing to take anything on trust at present, the market is likely to turn a deaf ear.

Hafnia

Danish institutions must be rueing their decision to reject what looked like a perfectly reasonable bid for Hafnia by the Swedish insurer Skandia earlier this year. News yesterday that Hafnia has effectively sought protection from its creditors – less than two months after the completion of a DK2bn rights issue – underlines the price paid for what at the time looked like anti-Maastricht style nationalism. The question mark now is over Uni Storebrand, the Norwegian company with which Hafnia ill-fatedly tried to build a pan-Scandinavian insurance alliance. If shareholders are asked to bail it out of trouble they will no doubt take note of the Hafnia example.

Bush sets off talk of cabinet reshuffle

Continued from Page 1

Mr Bush's chief of staff and campaign manager, was reported to be against the idea on the grounds that it was "too gimmicky". His return to control foreign policy had previously been considered the most likely option if Mr Bush wins in November.

The White House yesterday denied that Mr Jack Kemp, the outspoken housing secretary, was also on the potential hit-list. His departure would upset the right and might be interpreted as an act of ingratitude after Mr Kemp's effusive endorsement of the president in a speech to the Republican convention in Houston on Tuesday night.

Other candidates for replacement were thought to be Mr James Watkins, energy secretary, Mr Manuel Lujan at the Interior Department, and Mr Louis Sullivan, health and human services secretary and the only black in the Bush cabinet. But Mr Bush was said to be intent on keeping the often-isolated Mr William Reilly in charge of environment.

Mr Bush's main purpose in his television interview was to demonstrate that he is as committed to "change" as is Mr Bill Clinton, his Democratic rival. This will be a major theme of his acceptance speech tonight, in which he is said to be contemplating an announcement about Mr Baker's long-term future.

Changing the composition of his economics team would demonstrate that on domestic affairs the president is prepared to turn over a new leaf. Of even greater immediate interest is the extent to which he will commit himself to cutting taxes.

There are risks involved in going out on a limb and making an unsustainable promise comparable to his "read my lips, no new taxes" pledge of four years ago.

The more likely approach is a general commitment to reduce taxes in a second term as progress is made towards cutting the federal budget deficit. The principle obstacle to this, Mr Bush will maintain, is Democratic control of the Congress.

Bosnia study

Continued from Page 1

situation is definitely becoming more difficult".

"As Moslems see their friends up the road being intimidated and Serbs see their colleagues in the next town become more assertive, everything gets copied."

UNHCR officials warned that Bosnian Serbs could soon start driving families out from Banja Luka and Kotor Varos, northern Bosnia.

World Weather

		°C	°F
Ajaccio	S	27	81
Algiers	S	30	86
Amsterdam	F	22	72
Athens	S	34	93
Bahrain	S	37	99
Bangkok	C	31	88
Barcelona	F	27	81
Beijing	S	29	84
Beirut	S	29	84
Belfast	S	16	61
Belgrade	S	35	95
Berlin	S	24	75
Biarritz	F	28	82
Bombay	F	29	84
Bordeaux	R	24	75
Boulogne	F	22	72
Brussels	S	25	77
Budapest	S	34	93
Buenos Aires	C	16	61
Cairo	S	32	90
Cape Town	S	21	70
Caracas	C	27	81
Casablanca †	S	25	77
Chicago †	S	14	57
Cologne	S	26	79
Copenhagen	S	17	63
Corfu	S	33	91
Dallas †	R	18	64
Dublin	C	17	63
Dubrovnik			
Edinburgh	F	17	63
Faro	F	24	75
Florence	S	33	91
Frankfurt	S	29	84
Geneva	S	30	86
Gibraltar	F	27	81
Glasgow	F	17	63
Helsinki	F	16	61
Hong Kong	C	29	84
Innsbruck	S	29	84
Inverness	R	15	59
Islamabad	F	32	90
Istanbul	S	30	86
Jakarta	C	32	90
Johannesburg	S	19	66
Lisbon	C	24	75
London	C	21	70
Los Angeles †	S	20	68
Luxembourg	F	27	81
Madeira	C	25	77
Madrid	F	29	84
Majorca	S	29	84
Malaga	S	28	82
Malta	S	30	86
Manila	R	29	84
Melbourne	R	10	50
Mexico City	C	22	72
Miami †	S	28	82
Milan	S	31	88
Montreal †	C	18	64
Moscow	C	15	59
Munich	S	31	88
Nairobi	F	22	72
Naples	S	31	88
Nassau	C	33	91
New Delhi			
New York †	S	23	73
Nice	S	27	81
Nicosia	S	31	88
Oporto	F	21	70
Oslo	S	20	68
Paris	F	28	82
Prague	S	29	84
Reykjavik	C	12	54
Rhodes	S	30	86
Rio de Janeiro	R	30	86
Rome	S	30	86
Salzburg	S	31	88
S Francisco †	S	12	54
Seoul	S	30	86
Singapore	F	26	79
Stockholm	F	17	63
Strasbourg	S	31	88
Sydney	S	17	63
Taipei	C	33	91
Tangier	F	27	81
Tel Aviv	F	29	84
Tenerife	S	25	77
Tokyo	F	31	88
Toronto †	S	14	57
Tunis	S	30	86
Valencia	F	29	84
Venice	S	32	90
Vienna	S	33	91
Warsaw	S	24	75
Washington †	S	21	70
Zurich	S	29	84

Temperatures at midday yesterday
† Noon GMT temperatures
C - Cloudy Dr - Drizzle
F - Fair Fg - Fog H - Hail
R - Rain S - Sunny
Sl - Sleet Sn - Snow
T - Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 20 1992

INSIDE

Nedlloyd reports flat result midway

Nedlloyd, the Dutch transport group, reported flat net profits for the 1992 first half. However, the group said the long-term trend was "positive" because the figures did not rely as heavily on book profits from divestments as they did the year before. Page 16

Marley cuts payout

Marley yesterday signalled further gloom in the UK construction sector by forecasting its first annual dividend cut in almost 20 years, in spite of higher interim profits. Sir George Russell, chairman, said the building products group had "cut everything else — it is time the dividends take their share of the pressure". Short of a "miracle in demand", Sir George said, the total dividend was likely to be cut by a third to 4.2p. Page 20

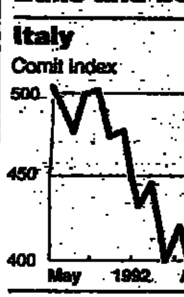
New connections for C and W

Rumours abound surrounding Cable and Wireless's plans to seek an alliance or partnership with another telecommunications company. The market, punch drunk with rumours of telecommunication alliances, no longer knows what to make of it. Page 21

Miners pin hopes on De Beers

Miners in Angola and Canada are rushing greedily after diamonds, at a time when the diamond business is in turmoil. What is also remarkable is that all those scrambling for diamonds in Angola or staking expensive claims in Canada take it for granted that the diamond cartel organised by De Beers will be able to continue to keep prices up and make all their efforts worthwhile. Page 22

Bulls and bears in Milan



With many Italian blue chips trading at a fraction of their former levels, some Italian equity analysts are sticking their heads above the parapets and saying that the time is now right to buy. Others to urge caution, warning that earnings forecasts are at best too high, or, worse still, likely to fall. Back Page

Shake up for insurance futures

The Chicago Board of Trade is considering changes to its plans to launch a range of insurance futures contracts this year, in an effort to rekindle the flagging interest of a deeply sceptical insurance industry. The contracts would allow insurance companies to hedge risks they had insured without needing to use the more usual route of reinsurance. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Falls				**Rises**			
Didier-Werke	120	–	11	Cr Fonc France	726	+	21
Hochtief	950	–	31	Imetal	317	+	12
MAN	286.2	–	7.4	**Falls**			
Mercedes	462	–	10.5	Accor Entre	581	–	18
Metallges'ft	314	–	11	Euro Disney	76.6	–	8.4
Rheinmetall Berlin	281	–	14	Gan	329.4	–	15.6
Viag	338.5	–	9.3	Merlin-Gerin	456	–	23
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Berlitz Intl	23½	+	2	Green Cross	780	+	100
Sun Micro	26½	+	1⅜	Itoman	350	+	40
Falls				Nippn Hsing Ln	191	+	24
Chase Man.	22⅝	–	1½	Shin Yei Stm	155	+	19
Citicorp	16¾	–	1⅛	**Falls**			
Commodore Intl	6⅞	–	2¼	Oki Electric	315	–	37
Kaufman & Broad	12	–	2¼	Ricoh Elemex	600	–	66

LONDON (Pence)							
Rises				BET	115	–	5
BAA	671	+	14	Euro Disney	800	–	60
BICC	279	+	17	Hickson Intl	167	–	7
BPP	248	+	13	Menzies (J)	320	–	21
Bimec Inds	10½	+	2¼	Nthn Foods	252	–	13
Cadbury Schw	449	+	12	Saatchi	138	–	5
Lonrho	81	+	5	Smith (WH) A	391	–	14
Micro Focus	1613	+	68	Tesco	237	–	7
Sth Westn Elec	316	+	11	Trafalgar Hse	52	–	2½
Welsh Water	444	+	10	Unigate	253	–	22
Wilms Conroon	186	+	9				
Falls							

Fukutake to take over Berlitz

By Nikki Tait in New York and Andrew Jack in London

BERLITZ INTERNATIONAL, the language school subsidiary of Maxwell Communication Corporation, which discovered a majority of its shares were pledged improperly to banks as collateral by the late Mr Robert Maxwell, has signed a merger agreement with Fukutake Publishing, the Japanese correspondence course and book publishing concern.

Fukutake is to offer Berlitz shareholders $21.62 in cash and 0.165 of share of new Berlitz stock for each Berlitz share currently held, plus some MCC debt.

If the deal is completed, existing Berlitz shareholders would own about one-third of the company's ongoing equity. Fukutake, which is making the offer through its US subsidiary, would hold the rest.

The deal requires approval from two-thirds of the shareholders. That will be complicated because ownership of 6.8m of the 20m shares is in dispute and subject to legal action.

When the formal offer document is issued, it is expected to require approval from both sides claiming ownership of these shares: Macmillan on one hand; and Shearson Lehman, Crédit Suisse, Swiss Volksbank and Advest on the other.

The announcement follows market speculation, and comes after Berlitz, based in Princeton, New Jersey, said earlier this month that it was in talks with parties interested in the possible takeover.

Fukutake acquired 20 per cent of Berlitz's Japanese unit in 1990.

A letter of intent, allowing Fukutake to buy the 56.5 per cent stake in Berlitz held by Macmillan, MCC's main US subsidiary, for $265m, was signed in November 1991. That was rendered void when MCC went into bankruptcy, following Mr Maxwell's death. Since then, MCC has been operating under Chapter 11 of the US Bankruptcy Code, in a complex trans-Atlantic arrangement requiring co-ordination between New York and UK court-appointed administrators.

At present, most of the Macmillan stake in Berlitz is in the hands of five banks and companies that received stock as collateral for loans to Mr Maxwell.

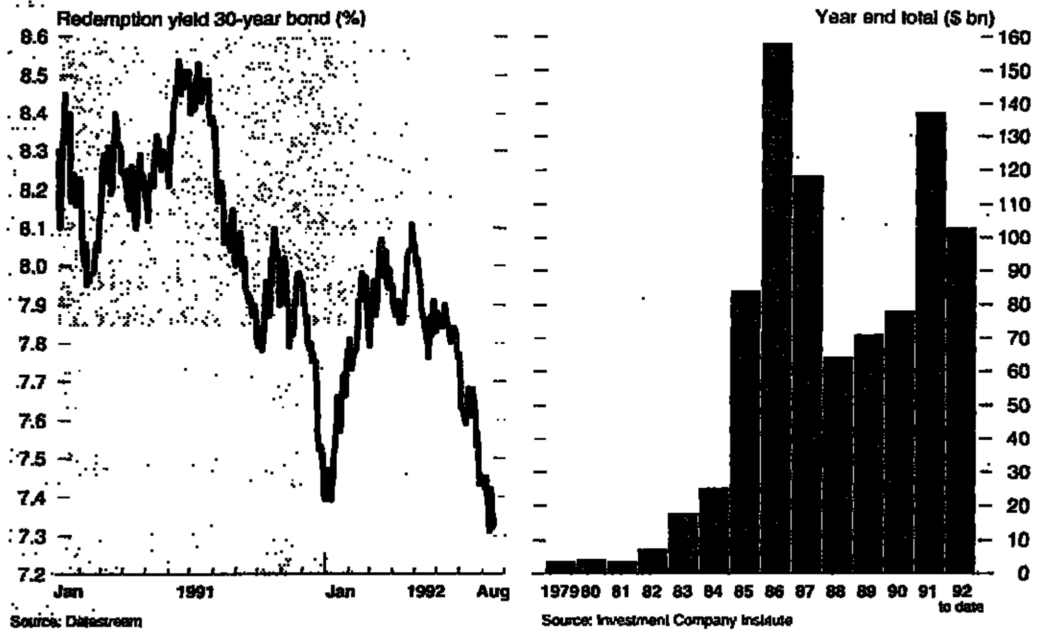
Aside from shareholder approval, the deal between Berlitz and Fukutake is conditional on certain transactions, involving share transfers and the waiving of claims by MCC.

Price Waterhouse, administrators to MCC, refused to comment yesterday, saying the issue was sensitive because ownership of Berlitz shares is still in dispute.

Vulnerable times for US bond market

Patrick Harverson and Sara Webb on why investors will be nervous during the Republican convention

Bond fund sales



Source: Datastream
Source: Investment Company Institute

US Treasury market dealers and investors will be glued to their television screens tonight, nervously awaiting President Bush's acceptance speech at the Republican convention in Houston.

Since the end of last week the bond market has been troubled by rumours that Mr Bush will temporarily set aside his long-term goal of balancing the budget and unveil a tax-cutting package aimed at breathing fresh life into both the economy and his own re-election hopes.

Such a move might be popular with the Republican party faithful, but it could be a setback for the bond market.

Analysts fear that a tax cut announcement could bring the market's impressive mid-summer rally to a halt.

The rally has brought long-term yields down from 7.8 per cent in early June to 7.3 per cent today, the lowest level seen in five and a half years. It has been built on the gloomy outlook for the US economy, which the market expects to remain weak well into 1993, and inflation, currently at just over 3 per cent and which should fall even further during next year. The rally at the long end has also been partly technical – the result of longer-dated maturities catching up with the gains of short- and intermediate-term securities.

Successive cuts in US interest rates during 1991 and 1992 made the yields on short-term liquid assets such as money market funds and bank certificates of deposit (CDs) extremely unattractive. This forced investors to switch their money into short and intermediate debt – the two-year, five-year and 10-year treasury securities – where yields were higher. There was less demand for long bonds at the time due to fears about inflation.

It was not long before the gap between the yield on the long bond (nearly 8 per cent) and on short and intermediate securities (between 4 per cent and 6.5 per cent) grew so wide that investors began moving their money further up the maturity spectrum to earn a better yield.

"The long end is the most interesting part if you are looking for significant capital gains," says Mr Roger Gray, head of fixed income and currency at Rothschild Asset Management. Demand for treasuries has been very strong. According to figures compiled by the Investment Company Institute, net sales of bond funds in the first six months of this year totalled $103.9bn (£54.3bn) double the $57.1bn in the first half of last year. If money keeps pouring into bond funds at its current rate, 1992 will be the best on record.

The treasury market has been helped by the relatively poor performance of equities. Bonds have offered better returns than any comparable investments for much of this year. Many managers of global bond funds remain overweight in the US treasury bond market, as they believe there is scope for further gains.

Mr Nick Henderso, head of fixed income at Gartmore, the UK fund management group, says: "We're slightly overweight in the US, and have been steadily building up our position in North America, but we would not increase it further."

Mr David Gibson, head of fixed income at Schroder, says: "Although US bond yields probably do have further to fall, we think the market is overbought and that there is now scope for better gains in Europe than in the US." International fund managers are watching the Bundesbank closely for signs of a possible easing in German interest rates which would pave the way for lower rates in other European countries.

The US market's new-found confidence could be dented by political uncertainties, especially if President Bush engineers a politically motivated tax cut at this week's convention. Lower taxes means three things to the bond market, all of them bad: a stronger economy, higher inflation and a bigger federal deficit.

The fact that the bond market has reacted so nervously to rumours of a possible tax cut underlines how vulnerable it is during the election campaign. Analysts warn to expect further volatility as election day (November 3) draws nearer, and a possible end to the rally if Governor Bill Clinton maintains his lead in the polls.

Ms Christine Pinto, senior strategist at Merrill Lynch, believes the market is in for a rough ride. She says: "I'd probably say a good bet is that we'd see a 7.5 per cent yield [on the long bond] before we saw 7 per cent, given the fact the consensus thinks Bush isn't going to get enough steam up through to November. The bond market could get a little rattled."

Any negative reaction to a Clinton victory could be short-lived, according to Mr Bob Beckwitt, portfolio manager at Fidelity, the biggest fund group in the US. "What happens to the economy over the next year is what matters, and Clinton will have only a marginal effect on the economy if he gets elected."

What about life after the election? The bulls believe inflation will lie dormant for the next one or two years as the economy remains weaker than normal.

Longer-term trends are also moving in the bond market's favour, says Ms Pinto. She says the US population is ageing, the baby boom generation will save more and spend less, and the housing market will remain depressed, which means that poor demand for mortgages will keep interest rates down.

She adds that US households currently have $3,650bn in short-term liquid assets (such as bank accounts, money market funds, CDs). Much of that is earning low returns, and when it matures later this year it is likely to search for a higher yield elsewhere – possibly in equities, but more likely in bonds.

Profits fall at Pioneer and Sony

By Steven Butler in Tokyo

SONY and Pioneer Electronic, the Japanese consumer electronics groups, each reported a steep decline in consolidated pre-tax profits in the first quarter of the fiscal year, which ended in June.

The poor performance of both companies reflected weak demand throughout the world economy and the overcapacity in the consumer electronics industry that has led to a sharp inventory build-up and severe price competition.

The industry is also suffering from a lack of new products with mass appeal.

However, the declines in profits fell short of the worst fears in the market, where rumours on Monday that Sony had lost money at the operating level prompted a steep decline in share prices.

Sony's pre-tax earnings were off 52 per cent to Y27.04bn ($210m), compared with the same period last year, while sales increased by 4.2 per cent to Y900bn.

Pioneer saw its pre-tax profits fall by 38.5 per cent to Y9.87bn. Sales grew by 2.3 per cent to Y144.5bn.

For Sony, which is a bellwether for the whole industry, the good news was that the company climbed back into profitability following a consolidated operating loss in the fourth quarter of the last fiscal year amounting to about Y18bn.

Sony's traditional electronic equipment business saw a year-on-year decline in profits of 46.7 per cent to Y27.3bn, while on the entertainment side of the business, which includes films and recorded music, profits grew by 26.3 per cent to Y9.45bn.

The entertainment business, where Sony has enjoyed a string of hit records and films, has recently provided the only significant growth for Sony's business.

However, analysts, and the company, say it is too early to tell whether Sony's expensive purchase of Columbia Pictures entertainment two and a half years ago has proved a success.

Neither Pioneer nor Sony revised profits projections for the fiscal year ending next March, an indication that both companies are confident their businesses have stabilised, in spite of the deteriorating economic environment at home.

For both companies, strong sales in the US helped to compensate for weakness in Japan. Results in full, Page 17

BHP offers A$1.72bn for 32% Foster's shareholding

By Kevin Brown in Sydney

BROKEN Hill Proprietary (BHP) yesterday acted to end uncertainty surrounding Foster's, the world's fourth biggest brewing group, by offering A$1.72bn (US$1.27bn) for a 32 per cent shareholding formerly controlled by Mr John Elliott.

The offer follows BHP's decision in June to appoint receivers to International Brewing Holdings (IBH), a private company controlled by Mr Elliott, which owned the shares through its subsidiary, International Brewing Investments (IBI). BHP said in June it would acquire IBI's Foster's shares at "full value" if such a purchase were necessary to prevent a "fire sale" by the receiver.

Mr Ian Ferrier, the joint receiver, said he was "minded to accept the offer", but had appointed advisers to "explore the market for other possible buyers".

Mr John Prescott, BHP managing director, said the offer "advances the process of restoring value to Foster's, and gives all other serious bidders an opportunity to put alternative proposals to the receivers."

Under the offer, BHP will acquire 720m Foster's shares for the equivalent of A$2.39 per share, compared with last night's closing price of A$1.73.

BHP said it would pay A$1.5bn plus a 27 per cent shareholding in Inar, an IBH subsidiary which was the vehicle for a A$740m preference share investment in the group by BHP. The offer would allow the receiver to repay A$1.2bn owed by IBI to the banking syndicate, which blocked an earlier attempt to unwind IBH by refusing a BHP offer to buy its debt.

About A$300m would be returned to BHP by the receiver when the preference share investment becomes due for repayment in November, leaving exposure to IBI of about A$100m.

The deal would make BHP the largest shareholder in Foster's, and allow it to control the group with Asahi Breweries of Japan, which owns 19.9 per cent. BHP has said it does not wish to be a long-term shareholder in Foster's. It plans to dispose of the shares at a level which would allow it to break even.

Mr Elliott, once chairman and chief executive of Foster's, remains a director.

BICC pessimistic after 12% fall

By Jane Fuller in London

THE longevity of the UK recession was brought home yesterday as BICC, the cables and construction group, announced a further fall in first-half profits.

"We do not expect any improvement in most of our markets until 1993 and even then volume recovery is likely to be modest," said Mr Robin Biggam, chairman. No UK recovery was expected for 12 months.

There was encouraging news on the Channel tunnel contract, which last year necessitated a £12m ($22m) provision. BICC is involved in Transmanche Link, the consortium building the tunnel, and Mr Biggam said no more provisions should be necessary.

BICC's interim pre-tax profit fell 12 per cent to £58m, from a peak of £100m in 1990. Sales were reduced in every part of the business, leaving group turnover at £1.77bn, against £1.9bn.

Resilience in infrastructure markets and cost-cutting limited the fall in operating profit to 4 per cent, a total of £75m. Mr Biggam said operating profit was slightly ahead of the second half of last year.

Rationalisation costs of £9m were taken at the operating level. Factory closures and other cuts were reducing the workforce at the rate of 10 per cent – or 2,000 jobs – a year. Interest charges rose from £12m to £17m. However, with £154m of rights issue proceeds arriving in June, net debt was eased to £15m going into the second half.

BICC Cables, the European business, saw operating profit fall by 19 per cent to £47m on turnover of £500m. North America – where prices had at last started to firm – made a £1m profit, a turnround from a second-half loss of £5m. Australasia improved from £8m to £13m.

Balfour Beatty, the contractor, increased profit from £13m to £15m on £869m turnover.

The group broke down its property portfolio to show £110m in projects completed or under construction, of which 40 per cent were rented at £4m a year; £65m in the Spitalfields joint venture; and £50m in frozen schemes.

Earnings per share amounted to 11.2p, against 13.6p. The interim dividend was held at 6p and Mr Biggam underlined the group's intention to maintain this year's total at 19.25p.

The share price gained 17p to close at 279p, compared with 285p for the rights issue.

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Barclays Bank to raise $500m of capital in US

By Tracy Corrigan

BARCLAYS Bank is planning to raise $500m of capital in the US using a new hybrid financial instrument which other UK banks are expected to imitate.

The proposed issue, details of which were filed with the US Securities and Exchange Commission yesterday, gives the bank access to equity-type capital while allowing tax savings normally associated with plain debt issues.

"The holy grail is to get Tier 1 capital in tax-deductible form," said Mr Brian Worsley, assistant treasurer at Barclays Bank.

"This structure is as close as we can get."

Under new international capital guidelines which come into effect next year, banks must hold Tier 1 and Tier 2 capital totalling 8 per cent of their assets.

Barclays plans to issue undated, subordinated debt, which qualifies as upper Tier 2 capital. This can be converted later, at the option of the bank, into preferred stock, which counts as Tier 1 capital. As long as the issue remains in debt form, the interest costs are tax-deductible, providing considerable cost savings over a conventional preferred stock issue.

Mr Worsley said the debt would only be converted into preferred stock if Barclays' Tier 2 capital was set to exceed its Tier 1 capital, which is not permitted under the guidelines. Barclays current capital to assets ratio stands at 8.9 per cent, of which 5.9 per cent is Tier 1 and 3 per cent Tier 2.

National Westminster Bank and the Royal Bank of Scotland are among the banks which have also been looking at this type of structure.

The same tax benefits are also likely to be available to other European banks, some of which are under considerable pressure to build up capital.

A similar structure has already been used in the US by Bankers Trust, but the conversion into preferred stock in that case was mandatory. Barclays, on the other hand, can continue to deduct interest payments from tax until it decides to convert the debt into preferred stock.

The structure has been developed by Barclays, in conjunction with Merrill Lynch and Goldman Sachs, but Barclays has not yet mandated either US bank to arrange the US offering. The structure has been approved by the Bank of England.

Nedlloyd reports flat profits

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport group, reported flat net profits for the 1992 first half.

However, the group said the long-term trend was "positive" because the figures did not rely as heavily on book profits from divestments as they did the year before.

Net profit totalled Fl 1m ($605,000) against Fl 2m in the same period of 1991. Operating profits were also barely changed at Fl 62m compared with Fl 60m.

"Disappointing economic growth and intensified competition had a negative influence on the operating results," the company said.

However, it noted that post-tax results from ordinary activities, which excluded gains on divestments, showed a profit of Fl 3m in the first half, compared with a Fl 35m loss the year before.

In the first half of last year, Nedlloyd's results included a book profit of Fl 40m on the sale of its stake in Transavia, the Dutch charter airline, to KLM. Nedlloyd also managed to turn in a slim net profit in the first half of 1992 because of a decline in interest charges and a rise in profits on the sale of fixed assets.

The company, which is struggling to reduce costs at a time of a general slowdown in world trade and increased pressure on shipping tariffs, said it expected to end the year with a "modest positive result". Until now, Nedlloyd, which has not paid a dividend for two years, has said only that operating profits would show an improvement.

Turnover fell to Fl 3.22bn from Fl 3.31bn. However, if companies divested in 1991 are eliminated, turnover rose by nearly 7 per cent.

Within Nedlloyd's land-based operations, the road cargo division posted a "clearly negative" operating result, but the Unitrans division reached the turnround point after previous losses.

GM plants to remain open until 1995

FIVE assembly plants in North America including two that were rumoured to be on GM's "hit list", will remain open at least until 1995, Reuter reports from Detroit.

GM officials told almost 18,000 employees affected by the decision that plants in Doraville, Georgia, Fairfax, Kansas, Oklahoma City, Oklahoma, and two facilities in Oshawa, Ontario, will get new products to keep them open until 1995. The Doraville and Fairfax plants were two locations that industry experts predicted GM would close as part of its massive restructuring plan announced last December.

GM said the Doraville facility, near Atlanta, will convert operations in the summer of 1995 in order to build the company's next generation of minivans for the 1996 model year.

It said the announcement does not protect the five plants from future closings. "That's still an open question."

Rescue may be on the way for Uni Storebrand

By Karen Fossli in Oslo

NORWEGIAN authorities are considering a two-step intervention plan to rescue Uni Storebrand, the troubled insurer, from plunging into deep financial crisis, Aftenposten, Norway's leading daily, reports today.

According to the report, central finance authorities are considering options which include state guarantees, a direct cash injection or a state acquisition of some of Uni's long-term assets.

Once a decision is made, Uni conid be split up with its life insurance business being acquired by Den norske Bank, Norway's biggest bank,' in which the state is a majority owner with a 55.5 per cent stake.

State intervention is being considered because authorities believe that a NKr1.5bn-NKr2bn ($263.1m-$350m) capital expansion being planned by Uni for the autumn will fail due to the uncertainty surrounding the company after it acquired a non-voting NKr4.7bn, 28.3 per cent, stake in Skandia Forsakrings, Sweden's biggest insurer.

Uni's shares plunged yesterday to a record low of NKr15.95 on the Oslo bourse. The capital expansion puts Uni's nominal share value at NKr20, which means a capital expansion would have to be undertaken with Uni's shares written down below nominal value.

● Jyske Bank, Denmark's fourth biggest banking group, expects a pre-tax loss for 1992 after posting a DKr479m ($85m) deficit for the first half of 1992.

The bank gave no estimate for the expected full-year result but forecast a positive performance for the rest of 1992. The bank last year reported a DKr178m pre-tax profit.

It attributed its disappointing first-half result to difficult trading conditions in the Danish finance sector, coupled with high interest rates and a slump in domestic private demand and business activity.

Shareholders put on a brave face

Richard Lapper looks at Hafnia's decision to suspend its shares

The decision yesterday by Hafnia, Denmark's second biggest insurer, to suspend its shares and effectively seek protection from its creditors, will have widespread repercussions throughout Scandinavia's embattled financial sector.

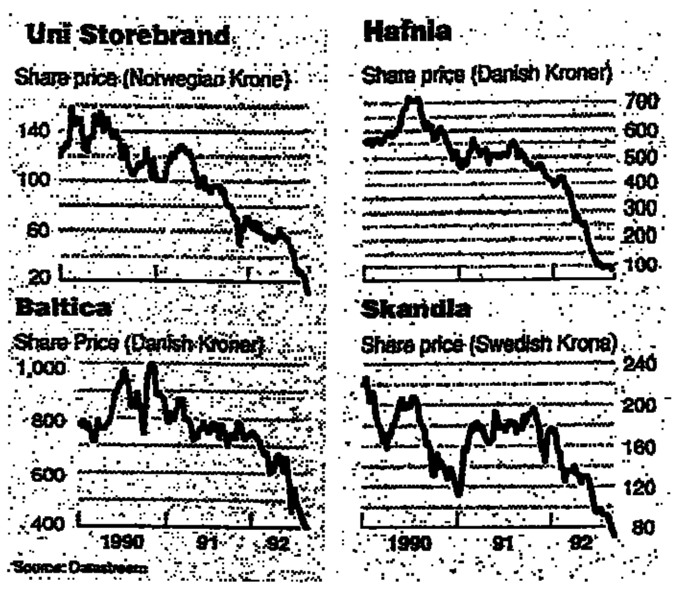
Shareholders were putting a brave face on the deal, which transfers assets of DKr5.9bn ($1.04bn) to a new holding company, leaving them with potential liabilities of up to DKr6bn. "It is still too early to say whether all the money we have invested in Hafnia shares is lost," said Mr Flemming Skov Jensen, of the LD wage-earner pension fund.

He admitted: "There rarely comes anything good out of a suspension of payments".

The old holding company retains formal ownership of the new one. But the restructuring appears to put the company's bankers in control of the assets and provides lead bankers Den Danske Bank, whose exposure to Hafnia is thought to be in the region of DKr1.2bn, with some measure of security, even though interest payments have been suspended on outstanding loans. Other bank creditors include Unidanmark, whose exposure amounts to DKr450m.

It casts further uncertainty over the immediate prospects of two of the region's largest insurance companies, Denmark's Baltica and Sweden's Skandia, in which Hafnia was a large investor.

Hafnia's former chairman, Mr per Villum Hansen, borrowed heavily to buy into both companies as part of a bid to create a Scandinavian insurance conglomerate capable of competing in the newly liberalised European markets. Hafnia's creditors now control 34 per cent of Baltica and a further 14 per cent of Skandia's share capital.



Source: Datastream

Chaos prevails, commented Mr Bjorn Wolrath, the chief executive of Skandia, who is critical of both Hafnia's management and shareholders.

Earlier this summer, Hafnia's shareholders rejected a deal in which Skandia would have obtained majority control of the Danish company in exchange for liquidating Hafnia's outstanding debt.

The deal also has implications for a fourth insurer, Uni Storebrand, of Norway, which had joined with Hafnia in its bid to take over Skandia. Uni Storebrand owns 28 per cent of Skandia's shares.

Hafnia's difficulties have their origins in the ambitions of Mr Hansen, who first pioneered the company's diversification within Denmark into merchant banking and real estate in the 1980s, before turning his attention to the broader Scandinavian and European scene in 1990.

Mr Hansen wanted to "reshape corporate Denmark", said one analyst, commenting on DKr3.8bn investment in Baltica in 1990. Baltica's management balked at joining Hafnia's putative Scandinavian alliance. Nonetheless, Mr Hansen followed up by joining forces with the Uni Storebrand in a bid to take control of Skandia at the end of last year, investing DKr2.3bn to acquire a 14 per cent stake.

"Having found himself in one hole he dug himself into an even bigger one," comments Mr Angus Runciman insurance analyst with BNP Securities.

Hafnia's investments in its insurance company rivals, totalled an amount equal to over a third of Hafnia's equity investment portfolio. More seriously, the two investments exceeded Hafnia's entire shareholders funds as at the end of 1991 of DKr3.1bn and left the company's balance sheet heavily exposed to the difficulties of the Scandinavian insurance market as a whole where trading conditions deteriorated sharply in 1990.

"They should never have been playing around with that size of stake. Hafnia is a small insurance company which wanted to play with the big boys and wasn't up to it," says Mr Runciman.

Matters have deteriorated sharply over the past two months. Following their rejection of the Skandia deal earlier this summer, shareholders agreed to support a DKr1.9bn rights issue to rebuild the company's capital.

Within the two months since the share issue the money has evaporated, as further insurance and investment losses have emerged. Provisions against losses on the group's credit insurance business amount to DKr250m, unrealised capital losses on the Baltica and Skandia shares amount to DKr700m.

"As things were developing, we have crossed the line where we could contnue no longer. We thought the DKr1.9bn share issue we launched in July would have solved our problems but it did not," said Mr Holger Lavesen, chairman of Hafnia.

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Nordbanken to axe 1,400 staff in shake-up

By Robert Taylor in Stockholm

NORDBANKEN, Sweden's ailing state-owned bank, yesterday announced a group reorganisation plan which included a cut in staff by 1,400 people over the next 18 months.

Further details of the bank's rationalisation plans will be revealed within a week.

The bank's short-term aim was to cut its costs drastically, introduce substantial savings and improve its customer services with the eventual objective of being privatised, according to Mr Hans Dalborg, the bank's chief executive.

In May, the Swedish government was forced to rescue Nordbanken with a SKr20bn ($3.76bn) financial package of guarantees and loans and it will become the sole owner of the bank at the end of this month. In the first four months of the year the bank suffered a SKr1.97bn operating loss due to bad debts and non-performing loan provisions, its financial position remains precarious.

Nordbanken said it planned to widen share ownership in Carnegie, the group's investment and stockbroking arm as part of an aim to focus the bank more on its activities inside Sweden.

Repsol plans flotation

REPSOL, the Spanish state-run oil and gas conglomerate, will float up to Pta100bn ($1.07bn) in shares at the end of the year, in an offer aimed at institutional investors, Mr Oscar Fanjul, chairman, said yesterday, AP-DJ reports from Madrid.

Repsol will float between Pta50bn and Pta100bn in shares.

INTERNATIONAL COMPANIES AND FINANCE

Sony opens with return to the black

By Steven Butler in Tokyo

SONY, the Japanese electronics company, returned to profitability at the operating level in the first quarter of the fiscal year, ending in June, although the company's performance remained well down on last year.

Consolidated operating profits came to Y36.99bn ($298m) during the quarter, 37.1 per cent down on a year ago, while sales grew by 4.2 per cent to Y900bn. The company suffered a loss of Y18bn in the fourth quarter of last year.

Sales in Japan were flat at Y228.46bn, while US sales rose by 14.9 per cent to Y271.1bn.

The results were boosted by a strong performance in the entertainment field, where recorded music sales rose by 9.9 per cent to Y100.9bn, while income from films leapt by 45.8 per cent to Y86.97bn.

Sales in Sony's traditional electronic equipment business, however, were flat at Y712.2bn. Sales of video equipment were down by 6.9 per cent and audio equipment sales were off by 1 per cent, while television sales rose by 3.7 per cent and other products by 9 per cent to Y157.4bn.

Camcorder sales remain sluggish, at 900,000 units during the quarter. This is 200,000 below the level a year ago but 50 per cent up on the last quarter of the 1991 fiscal year. Sony can produce 370,000 units a month.

Video recorder sales rose by 100,000 units year-on-year to 900,000 units, while compact disc player sales advanced from 2.6m to 3.4m units.

Sony has maintained sales, however, by keen pricing that has cut deeply into margins.

The results were also hurt by an 18.6 per cent rise in the depreciation charge to Y68.3bn.

Capital spending, however, has been cut sharply this year, and the quarterly depreciation charge is expected to peak later this year, promising to boost profits next year.

The company estimates that the higher value of the US dollar compared with last year cut Y21.5bn off the value of sales.

Inventories at the end of June were 2.96 times monthly sales, compared with 2.68 a year earlier.

The company's net income after tax fell by 36 per cent to Y14.93bn, while net income per depositary share fell by 35.1 per cent to Y37.1.

Pioneer slides 50% on weak economy

By Steven Butler

PIONEER Electronic, the audio and video equipment specialist, yesterday reported a 50 per cent decline in consolidated operating profits to Y3.48bn ($27.56m) in the three months to June. Sales climbed by 2.3 per cent to Y144.55bn.

Net after-tax profits were down by 30 per cent to Y4.98bn.

The company blamed the poor performance on the weak economy in Japan, and on the rise in the value of the yen against the dollar.

Sales of audio products fell by 14.7 per cent to Y37.4bn, while video product sales rose 3.1 per cent to Y44.2bn. Sales of electronic products for cars were relatively successful, rising by 15.4 per cent to Y52.9bn in spite of sluggishness in car markets.

Weak demand in Japan took its toll on sales of audio products, commercial sing-along karaoke systems, and car stereos for car manufacturers. However, consumer-use laser disc player sales rose in Japan and the US, while car compact disc player sales advanced in both countries.

Domestic sales were down by 7.3 per cent to Y54.35bn, while overseas sales rose by 9.1 per cent to Y90.2bn.

Foreign exchange gains boost Canon

By Emiko Terazono in Tokyo

CANON, the Japanese leading office equipment maker, posted a rise in non-consolidated pre-tax profits for the interim term to June, thanks to foreign exchange gains.

The company unveiled a 4.5 per cent rise in pre-tax profits to Y39.9bn ($316.04m) despite a 2.8 per cent fall in sales to Y507.3bn and a 15 per cent decline in operating profits to Y31.2bn. After-tax profits rose a marginal 1.3 por cent to Y22.3bn.

Canon said its sales were depressed by a slump in its camera sales due to the sluggish domestic and overseas economies. Camera sales fell 19.4 per cent to Y78.8bn, although office equipment, such as fax machines and information equipment, rose 3.3 per cent to Y406.6bn.

A rise in non-operating profits, thanks to Y5.4bn in gains on foreign exchange, helped the company at the pre-tax profit level.

For the full year to December, Canon forecasts a 1.1 per cent rise in pre-tax profits on a 2.4 per cent increase in sales. The company expects brisk demand from retail customers for its printers to support overall sales.

Petrocan to sell 37% stake in Westcoast

By Bernard Simon in Toronto

PETRO-CANADA, the partially privatised Canadian energy group, is further rationalising its activities by selling its 37 per cent stake in Westcoast Energy, the Vancouver-based pipeline operator and natural gas producer.

Petrocan said yesterday a group of securities dealers, led by ScotiaMcLeod, had agreed to buy the Westcoast shares for C$342m (US$285.59m) or C$16.25 a share. The price will be paid in two near-equal instalments. Petrocan is Westcoast's largest single shareholder.

The proceeds will be used to reduce Petrocan's C$1.5bn debt. But the company expects to post a C$54m after-tax charge from the sale against third-quarter earnings.

Petrocan first bought a stake in Westcoast shortly after its creation in the mid-1970s as Canada's national energy company. It augmented its holdings in 1988.

The Canadian government sold 20 per cent of its stake in Petrocan to the public in July 1991. The stricter disciplines required of a publicly traded company coupled with the recent slump in the domestic oil industry have forced Petrocan to take a narrower focus.

It has sold numerous oil and gas producing properties in the past year and is rationalising its service station network.

Petrocan's share price rose 50 cents to C$8.13 after yesterday's announcement, but remains well below last year's flotation price of C$13.

Westcoast earned C$53.9m on sales of C$784m in the first half of this year. It has a 3,000-mile network of natural gas pipelines serving British Columbia, the US Northwest and California. It also produces oil and natural gas, and has interests in gas distribution and sulphur production.

Amoco Canada takes C$429m write-off

By Robert Gibbens

AMOCO Canada Petroleum, which bought the troubled Dome Petroleum for C$5.2bn in 1988, took a C$429m (US$363.50m) write-off on its western Canada oil and natural gas properties in the first half.

This represents the cost of consolidating these holdings and expected losses on asset sales. The write-off was even higher than the company had estimated earlier this year.

After the special charge, the final second-quarter loss was C$510m, against a loss of C$108m a year earlier. Revenues were C$887m, compared with C$967m, reflecting lower gas prices mainly.

The company, 100 per cent owned by Amoco of the US, became Canada's largest gas producer with the takeover of Dome and also had the largest reserves.

The first-half loss was C$481m, against a deficit of C$129m a year earlier, on revenues of C$1.8bn against C$2.1bn. The Canadian company's C$2.6bn debt is guaranteed by the parent.

Amoco Canada is completing a broad restructuring including heavy layoffs, asset swaps with other companies and also asset sales and shutdowns.

JC Penney in communications joint venture

By Karen Zagor in New York

J.C. PENNEY, the fourth biggest US retailer, yesterday said it expected to form a joint venture with GTE Spacenet and Capital Cities/ABC to provide a wide range of communications services to retailers.

The announcement comes only a day after Sears and IBM said they were merging their voice-and-data networking businesses into a new service company.

The J.C. Penney venture, Advanced Retail Communications, is expected to start operating in 1993. It will deliver television, audio and data services to shopping malls and other retail locations using a combination of digital satellite broadcasting and earth-based transmission networks.

The partners expect to draw on Penney's high-speed data network in the US and GTE's existing satellites, while Capital Cities/ABC will look after the programming needs of large retail chains and smaller independent retailers.

Liberty Life lifts payout

By Philip Gawith in Johannesburg

LIBERTY Life, South Africa's largest listed insurance company, has sharply increased its interim dividend and will pay a special 35th anniversary dividend.

The interim dividend, for the six months to June, has been raised 25.6 per cent to 54 cents per share from 43 cents in 1991, while an anniversary dividend amounts R1 per share.

Mr Donald Gordon, chairman, said new annualised premiums rose during the reporting period to R278.2m ($100.70m) from R203.3m, reflecting the success of the new Medical Lifestyle product launched in September 1991.

Fletcher Challenge plans to cut debts with NZ$3.5bn asset sale

By Terry Hall in Wellington

FLETCHER Challenge, the New Zealand conglomerate, yesterday unveiled an ambitious programme to reduce its debt, including a further sale of NZ$3.5bn (US$1.88bn) worth of assets. The move follows the announcement of a loss of NZ$157.5m in the year to June 30, compared with a profit of NZ$481.9m last time.

Assets targeted for sale include the Rural Bank and FCL's NZ$500m property portfolio in New Zealand. It was also considering the partial sale of the Natural Gas Corporation and floating its Chilean forest products division.

The methanol division, the largest in the world following last year's purchase of Cape Horn Methanol in Chile, was also being reviewed.

Turnover during the period was NZ$10.02bn against NZ$10.48bn. The total dividend is down to 14 cents, compared with 27 cents.

Mr Hugh Fletcher, chief executive, said the group was expecting a recovery in earnings this financial year, with a profit of around NZ$300m, excluding abnormal items.

He said this forecast was based on a slow recovery in the world economy and given the nature of commodity forecasts the result could "end up NZ$100m either way".

In the year to June 30, FCL earned NZ$305.1m, excluding abnormal items, compared with a profit of NZ$493.9m last year. Abnormal losses were NZ$472.8m, against NZ$154.7m, producing a net loss of NZ$157.5m.

The abnormal losses included the provision of NZ$400m for potential property write-downs, mostly relating to problems in the group's Australian subsidiary, Jennings.

The primary division had a good year reflecting better prices for New Zealand's agricultural commodities. Energy was the star performer, contributing 60 per cent of the earnings of NZ$540m before interest and tax. Last year the division earned NZ$436m.

Jennings and UK Paper 'mistakes'

FLETCHER Challenge had made two serious mistakes, Mr Hugh Fletcher, chief executive, told a briefing, writes Terry Hall.

One was in Jennings, the group's Australian subsidiary, which had required a 100 per cent writeoff of all debt and equity investments in the latest accounts.

The other was in buying UK Paper. "In hindsight we should not have acquired UK Paper." He said operationally the British plants were running above expectations, helped by cost and staff reductions. Production of fine papers was up from 285,000 to 328,000 tonnes.

"But our strategy was based on the assumption that pulp prices would decline much more than European fine papers. This turned out to be woefully wrong.

"European paper price declines have been overpowering so while the long term strategy may have been right, the timing was abysmal."

He said UK Paper had lost NZ$107m (US$57.8m) before interest and tax, and NZ$117m after tax in the past year. The international pulp and paper division lost NZ$94.9m, compared with a profit of NZ$288.3m last year.

Mr Fletcher said pulp prices had passed their cyclical low, and were rising. Paper remained a large problem due to an abnormally big drop in newspaper and magazine advertising in the US. But again prices were improving.

Air Canada to form alliance with UAL

By Robert Gibbens in Montreal

AIR CANADA, frustrated in its second attempt to take over its rival Canadian Airlines International, has turned to United Airlines of the US for a commercial alliance.

The operational link-up, which becomes effective on October 25, will improve service and cut connection time at the airlines' hubs in North America, Europe, Latin America and the Pacific.

An equity link is not planned.

The two airlines will merge their frequent-flyer programmes and co-operate in computer reservation systems and marketing.

United, four times the size of Air Canada, said further benefits would come to both airlines from the "open skies" agreement being negotiated by Canada and the US. This will allow limited entry of US airlines to the Canadian domestic market and greater access for Canada to the US market.

Air Canada had a first-half loss of C$293m (US$246.2m), or $3.96 a share, including restructuring charges. Second-quarter traffic rose 14 per cent, but with larger capacity its yields fell. However Air Canada is still stronger financially than its rival.

Canadian is now considering an offer from its employees to put up C$200m in new equity.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 20.08.92: Pool purchase price £/MWh	Final Prices for Trading on 23.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20 07	17.80	17 80
0100	20.04	17 80	17.80
0130	17 71	17.80	17 80
0200	17 71	17 77	17 77
0230	17.71	17 77	17.77
0300	17.71	17.77	17.77
0330	17.71	17 77	17.77
0400	17 71	17.77	17.77
0430	17.71	17 77	17.77
0500	17.71	17.77	17.77
0530	17.88	17 80	17 80
0600	17 71	17.70	17 70
0630	20 08	17 69	17 69
0700	20 87	18 32	18.32
0730	22.83	22.78	24.30
0800	24.07	24 94	26.51
0830	25 69	26.49	28 07
0900	27.37	28 00	29.59
0930	28.09	31.98	33 61
1000	28.11	31 99	33.61
1030	28.11	31 99	33.64
1100	28 14	26 48	27.96
1130	28.22	27.26	28 76
1200	28.26	27.28	28.77
1230	28.23	27.26	28.76
1300	28 12	27.25	28.75
1330	27.37	27 24	28.74
1400	26.48	26.08	27.58
1430	24.46	25 86	27.33
1500	24 46	25.86	27.33
1530	28.02	25 47	26 94
1600	28.03	25.86	27.34
1630	24.47	27.98	29 52
1700	24.47	28.00	29.52
1730	24 46	27.99	29.52
1800	24 46	27 99	29.63
1830	23.91	25.65	27.15
1900	23.53	25.33	26.82
1930	22.10	25.33	26.84
2000	19.98	25.33	26 86
2030	21.59	25 33	26.85
2100	26 64	23 57	25 08
2130	26.64	27.98	29.60
2200	26.64	27.99	29 58
2230	23.05	27 98	29 58
2300	22.59	27 99	29 62
2330	21 29	23.57	25 08
2400	20.83	21 96	23 43

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

· NGC Settlements Limited 1992

INTERNATIONAL CAPITAL MARKETS

Treasuries recover as fears of tax cut fade

By Patrick Harverson in New York and Sara Webb in London

AFTER worries about a possible announcement of new tax cuts by President Bush had depressed US Treasury prices in early trading, the market

GOVERNMENT BONDS

rallied in the afternoon yesterday although trading activity remained light throughout.

In late trading the benchmark 30-year government bond had recovered from its early losses and was up $\frac{5}{32}$ at 99¼, yielding 7.317 per cent. The two-year note was unchanged at $100\frac{11}{32}$ to yield 4.013 per cent.

Since last Thursday, when Mr James Baker, the new chief of staff at the White House, said tax cuts should be a central plank in President Bush's re-election campaign and second term, enthusiasm for bonds has been tempered by fears that if taxes were eventually cut, economic activity might revive, inflationary pressures pick up and the Federal budget deficit widen further.

■ AUSTRALIAN government bonds ended the day mostly firmer, although shorter-dated debt issues fell on signs that the market may have to wait a while for the next cut in interest rates.

The government bond market climbed following Tuesday evening's government budget and comments from the Treasurer, Mr John Dawkins, suggesting further cuts in interest rates would occur provided inflation remained under control. However, short-dated issues were thrown into confusion by reports yesterday that Mr Dawkins had said no further rate reductions were planned. Dealers warned Mr Dawkin's contradictory comments were probably aimed at stabilising the Australian dollar, which has weakened against the US currency.

In the futures market, September three-year contracts dropped to 93.16 from a high of 93.40, before ending at 93.28. The contract closed at 93.23 on Tuesday night after the budget.

An Australian Treasury official was reported as saying the government was considering the issue of new Treasury bonds with lower coupons and longer maturities. According to the budget statement, the government needs to raise about A$16bn through Treasury bond issues in the 1992/93 fiscal year to help fund its forecast budget deficit of A$13.39bn.

The government has indicated it plans to hold smaller bond tenders of about A$750m at regular two-to-three week intervals.

■ JAPANESE government bonds continued to climb yesterday as Tokyo stock prices fell further at the start of trading, leading to hopes of an easing in interest rates. However, as the Nikkei share index recovered later in the day to close up 341.33 points at 14,650.74, bond market participants took profits, wiping out most of the day's gains. The benchmark No 129 opened with a yield of 4.71 per cent and moved to 4.655 per cent before closing in Tokyo at 4.70 per cent.

■ FRENCH government bonds weakened on concern over the future of European economic and monetary union. Dealers said the market was nervous ahead of the release last night of two polls on the Maastricht Treaty which were expected to show a drop in support for ratification of the Treaty. The Matif futures contract edged up from 105.58 to 105.62 while cash bonds ended lower or unchanged.

German government bonds traded in a narrow range ahead of today's Bundesbank Council meeting and the possible release of the July money supply figures. The Liffe bund futures contract opened at 87.65 and ended unchanged after trading between 87.54-87.67.

Dealers said the Bundesbank's tender allocation yesterday was seen as neutral for the market. The Central Bank added DM4.2bn in funds to the money market, helping to dampen speculation about a possible rise in the Lombard interest rate at the Bundesbank's meeting today.

■ STERLING'S weakness in the foreign exchange markets depressed UK government bond prices, with the 9¾ per cent gilt due 2002 slipping from 103⅝ to $103\frac{9}{16}$. The Liffe gilt futures contract inched up from 97.12 to 97.15.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.5845	+0.435	8.29	8.30	8.79
BELGIUM		8.750	06/02	98.4000	-0.250	8.99	9.01	8.96
CANADA *		8.500	04/02	108.7800	-0.450	7.22	7.17	7.80
DENMARK		9.000	11/00	98.3000	-0.520	9.65	9.51	9.33
FRANCE	BTAN	8.500	03/97	98.5950	-0.182	9.42	9.42	9.40
	OAT	8.500	11/02	96.5000	-0.250	9.00	9.06	9.04
GERMANY		8.000	07/02	100.2700	-0.090	7.96	8.05	8.08
ITALY		12.000	05/02	93.2200	-0.400	13.69†	13.82	13.97
JAPAN	No 119	4.800	06/99	100.4395	+0.078	4.72	5.03	5.25
	No 129	6.400	03/00	109.3541	-0.094	4.72	4.93	5.17
NETHERLANDS		8.250	06/02	99.3750	-0.170	8.34	8.40	8.41
SPAIN		10.300	06/02	89.4000	-0.450	12.19	12.25	12.17
UK GILTS		10.000	11/96	101-21	-6/32	9.50	9.57	9.35
		9.750	08/02	103-09	-4/32	9.23	9.35	9.13
		9.000	10/08	100-00	-4/32	9.00	9.12	8.95
US TREASURY *		6.375	08/02	99-12	+4/32	6.46	6.45	6.86
		7.250	08/22	99-06	+6/32	7.31	7.29	7.88
ECU (French Govt)		8.500	03/02	94.6800	-0.310	9.36	9.48	9.37

London closing *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

CBOT looks to a family of futures contracts

Barbara Durr on proposals to rekindle the flagging interest of a deeply sceptical insurance industry

The Chicago Board of Trade is considering changes to its plans to launch a range of insurance futures contracts this year, in an effort to rekindle the flagging interest of a deeply sceptical insurance industry.

The contracts would allow insurance companies to hedge risks they had insured without needing to use the more usual route of reinsurance.

One advantage of futures is that they can be traded quickly to take account of unforeseen events, whereas reinsurance contracts take time to renegotiate, said Professor Greg Niehaus at the business school of the University of South Carolina. Also, the futures could be useful to hedge undiversifiable risk, or what's left over after reinsurance, he said.

The exchange had planned to begin trading the first of a series of insurance futures in homeowners' (or residential property) policies next month.

But the CBOT's board of directors is now looking at developing a family of property futures that would be based on catastrophic losses from such events as earthquakes, tornadoes and hurricanes. These catastrophe contracts, which are still being researched, would be likely to be regional, according to Mr Richard Sandor, an executive managing director of Kidder Peabody and a CBOT board member. These would cover such risks as earthquake futures for the West Coast, tornado futures for the Midwest and hurricane futures for the East Coast.

The CBOT has yet to decide whether to postpone the launch on September 25 of national homeowners' insurance futures so that catastrophe futures can be started at the same time, which is unlikely to be before December. A dual launch appeals because catastrophe futures have had a better reception from the industry than any other proposals for insurance futures made by the CBOT.

Since proposing the idea in 1990, the CBOT has worked on developing futures on property and health insurance, with potential contracts to come on motor and marine insurance. But two years of conversations with the industry have stirred little enthusiasm.

Mr Marc Rosenberg, vice-president for the Washington-based Insurance Information Institute, an industry lobby group, says: "I haven't detected the slightest sign of interest by any insurer of note."

Mr Rosenberg, like many in the industry, believes the futures only duplicate the function of reinsurance, which covers underwriting losses above an agreed amount. He points out that, with all the current problems of credit quality in US insurance companies, it is unlikely that insurance regulators will be willing to embrace untested financial tools.

"Their job is to see that those they regulate aren't too creative," said Mr Rosenberg. "The nature of insurance is to guarantee that the money is there when the claim must be paid. And regulators are sceptical of anything that puts further risk into that equation."

Insurance company executives are loathe to get involved with any new instruments that regulators will question. Consequently, the CBOT must persuade regulators that insurance futures are viable risk management instruments that can improve a company's fortunes rather than harm them.

In the US, insurance is regulated by each state and, to make the contracts viable, the exchange would have to convince regulators in at least several key states. So far, the CBOT has had little luck. It has limited approval from one state regulator, the Illinois department of insurance. And Illinois, the home state of the CBOT, has said insurance futures can only be used under its basket clause for "undefined investments". Such investments are restricted overall to a total of less than 10 per cent of assets or 50 per cent of shareholders' equity.

This kind of approval virtually defeats the futures' purpose. If seen as an investment, they will not reduce underwriting exposure – their main purpose in the CBOT's view. It says they are not intended as a substitute for reinsurance, but as a complement to bring down underwriting risks.

Acknowledging that the battle with regulators is uphill, Mr Les Rosenthal, another CBOT board member who is involved in bringing the contracts to life, said that once the exchange can educate them, they will not regard futures as "a cowboy strategy".

Seasoned futures industry officials say the insurance industry's complaints are not new – similar complaints have come from the petroleum industry about crude oil futures, from the investment banks about bond futures and Eurodollar futures, and from Wall Street about stock index futures. All these industries were sceptical and said they wouldn't use the contracts, but today they are involved in futures for hedging.

Mr Sandor said: "It is unambiguously incorrect to view this market differently than other markets." Those who study the industry say the CBOT is on the right path, but they believe the caution of the industry and regulators could yet doom the contracts.

But Professor Stephen D'Arcy at the Department of Finance at the University of Illinois says the danger for the futures contract is "the insurance industry will wait and see if it works, and while it waits, it won't work". If that happens, the long-awaited launch of insurance futures – or what Mr Rosenthal of the CBOT calls "the event of 1992" for the exchange – could fizzle out.

● The London International Financial Futures and Options Exchange (Liffe) is researching the development of insurance futures too, although "it is not our highest priority," said Mr Michael Jenkins, Liffe's chief executive, writes Tracy Corrigan. The exchange has not yet decided whether it will be possible to devise a standardised, tradable product which would be commercially viable.

Low subscriptions to Czechoslovak country fund

INTERNATIONAL investors have subscribed $30.8m for the first closed-end Czechoslovak country fund, seven months after the fund was launched with the aim of raising $100m, writes Richard Waters.

The delay and low level of subscription were caused by uncertainty over the country's future, said Robert Fleming, the manager of the fund. The fragmentation of Yugoslavia had left many potential investors concerned about the aftermath of a division of Czechoslovakia, it said.

Investments will initially be made in the Czech republic, though Fleming does not rule out investments in Slovakia. The European Bank for Reconstruction and Development, which has two seats on the board of the Czechoslovakia Investment Corporation, committed $10m of the capital.

Signs of revival in floating-rate note market

By Tracy Corrigan

THE flow of floating-rate notes picked up momentum yesterday, with three offerings by financial institutions based in the US, France, and Japan. A

INTERNATIONAL BONDS

large offering of notes for BankAmerica Corporation, the US bank holding company, provided further signs of a revival of the floating-rate note market.

Unlike the recent spate of subordinated floating-rate notes with minimum and maximum coupon levels, aimed at pockets of Swiss retail investors, the latest offers are aimed at a broader market.

BankAmerica's $500m offering of senior notes paying interest of ⅜ point above the London interbank offered rates was targeted at mainstream floating-rate investors, including fund managers, banks and some retail investors, according to lead manager Kidder Peabody.

Interest in the FRN market among bank issuers has been boosted by poor swap market conditions: some banks can now achieve cheaper floating-rate funding by tapping the floating-rate sector, than by raising fixed-rate funds and swapping the proceeds. But the depth of investor demand for conventional floating-rate notes has yet to be tested. The FRN market also continues to provide access to capital through the issuance of subordinated debt.

Sumitomo Bank yesterday launched two subordinated FRNs, totalling $500m. The two callable deals, maturing in 2006 and 2007, count as Tier 2 capital under Basle guidelines. The paper was placed in the Far East and is not expected to be actively traded.

Meanwhile, Crédit Foncier, the French agency, also raised lower Tier 2 capital in the FRN market, using the "minimax" structure. The $150m issue pays interest at ⅛ point below Libor, with a minimum interest rate of 5 per cent and a maximum rate of 10 per cent. The deal was arranged by Paribas.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BankAmerica Corp.(b)‡†	500	(b)	100	1995	$\frac{3}{16}$/⅛	Kidder Peabody Intl.
Credit Foncier(c)‡†	150	(c)	100	2002	50/20bp	Paribas Capital Mkts.
Sumitomo Bank Intl.(d)‡†	250	(d)	100	2006	20/15bp	Sumitomo Finance Intl.
Sumitomo Bank Intl.(e)‡†	250	(e)	100	2007	20/15bp	Sumitomo Finance Intl.
SWISS FRANCS						
ABB Intl. Finance(a)★★†	75	8	101.2	1994	-	Credit Suisse

★★Private placement. †Final terms. ‡Floating rate note. a) Non-callable. b) Coupon pays ⅜% above 3-month Libor. Non-callable. c) Coupon pays ⅛% below 6-month Libor and payable semi-annually. Subordinated issue. Minimum interest rate 5%, maximum 10%. Non-callable. d) Subordinated issue. Callable from August 2001 at par. Coupon pays 45bp above 6-month Libor until August 2001, then 50bp thereafter and payable semi-annually. e) Subordinated issue. Callable from August 2002 at par. Coupon pays 45bp above 6-month Libor until August 2002, then 50bp thereafter and payable semi-annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107¾	108¼		4.79
ALBERTA PROVINCE 9 3/8 95	600	111¼	112	-⅛	5.30
AUSTRIA 8 1/2 00	400	110¼	111¼		6.61
BANK OF TOKYO 8 3/8 96	100	107¾	108½		5.88
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		10.13
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
WORLD BANK 8 96 LFr	1000	96¾	97¾		9.01
ENERGIE BEHEER 8 3/4 98 Fl	500	102	102½	-¼	8.31
[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate [illegible]. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	64	10
Other Fixed Interest	1	11	3
Commercial, Industrial	240	245	952
Financial & Property	88	145	569
Oil & Gas	15	24	47
Plantations	0	1	8
Mines	33	25	91
Others	37	41	43
Totals	416	556	1,723

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
210	F.P.	–	218	201	Anglian Group	207	-1	W8.7	2.0	5.6	12.1
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*600)	550	67	77	89	5	12	15
	600	31	45	58	20	28	33
	650	12	24	34	52	59	63
ASDA	20	8	8½	9	1	2	2½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
BAA (*670)	600	72	89	100	1½	6½	13
	650	20½	50	67	2	20	28
	700	1	25	40	35	47	55
BAT Inds	700	42	70	88	1	13	20
[illegible]							

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel (*351)	330	38	59	70	7	20	26
	360	20	38	53	20	38	41
Glaxo (*728)	700	46	72	88	13	36	48
[illegible]							

FT-SE INDEX (*2340); EURO FT-SE INDEX [illegible]

TRADITIONAL OPTIONS

● First Dealings Aug. 3
● Last Dealings Aug. 14
● Last Declarations Oct. 29
● For settlement Nov. 9

3-month call rate indications are also shown on this page.

Calls in Premier Cons., Ratners and Tarmac. Puts in Medeva and Spring Ram.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	56	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	5½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	35	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Marley forecasts dividend cut

By Peggy Hollinger

MARLEY yesterday signalled further gloom in the construction sector by forecasting its first annual dividend cut in almost 30 years, in spite of higher interim profits.

Sir George Russell, chairman, said the building products group had "cut everything else . . . It is time the dividends take their share of the pressure."

About £20m had been cut from costs since 1990, including 3,000 job losses. Further costs savings of about £8m had been identified worldwide.

Short of a "miracle in demand", Sir George said, the total dividend was likely to be cut by a third to 4.2p. The interim is maintained at 2.1p, forcing the company to dip into reserves for the third consecutive year. Earnings per share fell from 2.2p to 2.1p.

The dividend forecast will be grim news for the UK construction industry, despite the company's announcement of a small increase in pre-tax profits to £9.7m (£9.4m) for the six months to June 30. Marley, which was the first to warn of recession in 1989, is considered to be the most likely candidate to spot any UK upturn.

Trevor Humphries

Sir George Russell: time to put pressure on the pay-out

The bulk of the improvement came from strong growth overseas and lower interest charges. Sales fell to £280m (£282m), due to a 4 per cent decline in the UK to £160m (£167m).

Net debt fell by £25m to £100m, with interest payments declining from £6.2m to £4.3m. Gearing stood at less than 50 per cent.

Strong demand in the former east German market for DIY plastics products and a significant improvement in the US bricks business helped boost overseas operating profits by £200,000 to £10.9m.

In the UK, profits fell by £1.3m to £3.5m.

The bricks and tiles businesses doubled losses to £800,000, due largely to difficulties in the UK market. Sir George said price cutting continued to put pressure on building product margins, with no sign of recovery.

Property disposals were £2m lower at £1.7m. Plumbing and flooring contributed profits of £12.3m (£11.3m), while automotive components rose by a third to £1.2m.

The higher tax charge of £3.9m was due to irrecoverable advance corporation tax. In addition a £3.6m extraordinary charge was settlement of a dispute over a vehicle leasing business sold to T Cowie in 1987 for £17m. After £5.9m in dividend payments, Marley recorded a retained loss of £3.7m.

Marley also announced the closure of two insulation brick factories – in Northumberland and Manchester – with 200 job losses. The factory closures alone would result in annual cost savings of about £4m, Sir George said.

The shares closed 2p down at 78p.

See Lex

Growth in pensions side lifts Britannic Assurance

By John Authers

BRITANNIC Assurance yesterday announced an interim dividend increased from 9.2p to 10.3p and significant growth in premium income for the first six months of this year.

In line with the rest of the industry, pensions registered the strongest results, boosted by rising unemployment as people made redundant transferred their pension funds.

The ordinary branch's with-profits pension business saw a 60 per cent increase to £57.8m (£36m).

New business in unit-linked pensions more than doubled, to £6.81m (£3.29m).

Ordinary branch life assurance premiums were up almost 20 per cent to £41.8m (£34.9m), helped by the company's single-premium with-profits bond.

Elsewhere in the group, industrial branch assurance new business rose from £58m to £60.7m.

General branch premium income improved from £13.1m to £15.1m and the underwriting loss was cut from £3.4m to £2.3m.

Britannic also announced reductions of between 1 per cent and 2 per cent in the terminal bonuses payable on 10-year and 15-year with-profits products.

Mr Brian Shaw, general manager and actuary, attributed this to the sluggish markets this year, which had forced the company to make slight reductions compared to the high returns available in the mid-1980s.

He pointed out that Britannic was able to phase reductions in gradually by announcing terminal bonuses every six months, rather than annually as used to be the case.

Victaulic holds steady in tough trading conditions

By Roland Rudd

A FAVOURABLE cash position at Victaulic offset difficult trading conditions enabling the pipes and fittings maker to report unchanged pre-tax profits of £6.9m for the six months to June 30.

Turnover fell from £57.4m to £51.2m, mainly reflecting reduced demand for pipelines from British Gas which has cut back heavily on capital expenditure.

This is because of uncertainties regarding the future structure and ownership of British Gas's network following the referral of these matters to the Monopolies and Mergers Commission.

The uncertainty is likely to continue into next year.

Mr David Stewart, Victaulic's managing director, said that British Gas had began to cut back on new projects since the beginning of the year.

In the water industry, the group's other main market, some of the water companies reduced their investment on the repair and maintainance of mains, affecting sales of Viking Johnson, which is involved in the refurbishment of mains.

The difficult trading conditions were reflected in trading profit, which fell from £6.79m to £6.46m.

However, net cash of £10m resulted in interest received of £461,000 compared with £57,000 in the comparable period.

Mr Stewart said cost reductions, a decline in the workforce and increased margins of 12.6 per cent compared with 11.8 per cent had also helped offset difficult trading conditions.

The interim dividend is increased from 2.35p to 2.5p.

Earnings per share were unchanged on last time's 10.3p.

No 'fire sale' of Mountleigh assets

By Vanessa Houlder, Property Correspondent

CREDITORS OF Mountleigh, the property company which collapsed in May with debts of £590m, were warned at a meeting in London yesterday not to expect a swift realisation of assets.

Mr Tim Hayward and Mr Stephen James, partners of KPMG Peat Marwick, joint administrative receivers, told creditors that the affairs of the companies in the group were so closely interlinked that it was impossible to estimate the probable distribution until the properties and assets were sold.

Since their appointment, the receivers have raised £57m from property sales, part of which was used to discharge overseas borrowings on certain properties.

The receivers said they were determined to avoid "fire sales" of the remaining assets. They have drawn up a "planned and controlled" disposal programme for the remaining properties. They plan to sell the UK properties over the medium term, in the belief that a quick disposal would not realise the properties' maximum value.

In some cases, they said, work will be necessary to enhance the value of properties.

The receivers said they were not aware of any moves to have liquidators appointed to any of the companies in the group which are currently in receivership. "We do not believe that it would benefit the creditors to start liquidation proceedings now," they said.

Mountleigh's debts comprise £400m owed to a group of banks holding debentures and floating charges, £140m due to bond holders and about £50m owed to trade and other creditors. The receivers said they held out little hope of payment for unsecured creditors.

Mountleigh owns 83 investment, development and trading properties throughout the UK, most notably the Merry Hill shopping centre in the West Midlands. The group also comprises 60 companies incorporated overseas, based in the Netherlands, Belgium, Germany, Italy, France and the US. It also owns Galerias Preciados, which has 29 stores throughout Spain.

Minorities reject buy-out at Hillsdown arm

By Bernard Simon in Toronto

Minority shareholders in a bakery group controlled by Maple Leaf Foods, the Canadian subsidiary of Hillsdown Holdings, have rejected a buy-out proposal.

Maple Leaf owns 66 per cent of Toronto-based Corporate Foods and had proposed a merger to facilitate expansion into the US baking market. Corporate Foods minority shareholders were offered 1.15 Maple Leaf shares or C$19.9 (£8.80) in cash for each CF share.

The proposal was defeated by a narrow majority of CF's outside shareholders at a special meeting. Although Maple Leaf improved its original offer by adding the cash option, the terms were still criticised by several institutional shareholders.

Since acquiring a 56 per cent stake in Maple Leaf, formerly Canada Packers, in 1990, Hillsdown has moved aggressively to rationalise operations and to position the company for expansion in selected food-processing sectors in the US.

Mr Charles Bowen, chief executive of Maple Leaf, said that while the merger would have "solidified" the company's position in the bakery industry and simplified future acquisition opportunities, Maple Leaf was "quite satisfied" to retain its present interest.

CF has reported record profits for 11 consecutive years.

Trevor Humphries

George Walker leaving the High Court yesterday after answering TSB's bankruptcy petition

Walker to put plan to creditors

MR GEORGE Walker, former chairman and chief executive of Brent Walker, the property and leisure group, won leave yesterday to put a plan to his creditors to avoid bankruptcy. He was appearing at the High Court responding to a petition for personal bankruptcy by TSB Bank claiming more than £9m, writes Maggie Urry.

Mr Michael Coleman, of Harkavys, Mr Walker's solicitor, said "the court today ordered that a creditors' meeting be held on September 10 in order that certain proposals that Mr Walker has been putting forward can be carefully considered by those creditors and can be voted on as to whether they are or are not accepted."

The vote will require a 75 per cent majority by value of the creditors to be agreed. The proposals, which have been reviewed by accountants Stoy Hayward over the past fortnight, are believed to include Mr Walker devoting his next three years' earnings to his creditors.

Mr Coleman said "Mr Walker sincerely hopes that upon careful consideration his creditors will vote in favour of acceptance of those proposals and that he can effectively get back to work."

Alliance Resources rejects claims

By Peggy Hollinger

ALLIANCE Resources, the Louisiana oil and gas producer, yesterday rejected claims by its former broker, Girozentrale Gilbert Eliott, that it had failed to respond to demands for payment of fees relating to the company's London flotation.

Mr John O'Brien, chairman, said: "The existence of a dispute and the current investigation has been the subject of correspondence between solicitors instructed by Alliance and Girozentrale Gilbert Eliott."

He said the board was investigating the $1.5m fees incurred in Alliance's flotation at 40p in 1991. Gilbert Eliott claims it is owed £38,346 – in addition to the £71,635 already paid – and has served a petition to wind the company up.

Mr O'Brien also confirmed that Manx Petroleum, where he is also managing director, had agreed to loan Alliance $200,000 to develop reserves. That agreement was officially concluded just two weeks ago, he said, and the money paid to Alliance. The chairman of Manx is Mr Algy Cluff, the natural resources entrepreneur.

In addition to the loan agreement, Alliance undertook to pay Manx management fees of £10,000 a month. These charges were being accumulated and treated as debt to be repaid with the $200,000 loan.

Mr O'Brien, who became chairman of the struggling Alliance on May 5, denied the management fees were high. He said Alliance shareholders would benefit from his restructuring of the company. He draws no salary from either Manx or Alliance, he said.

Before he agreed to become chairman, Mr O'Brien set out the loan and management fee conditions in an agreement dated April 30. This was passed by the Alliance board on May 4, the day before he joined. The document also sets out an agreement in principle which states that "when Alliance is sufficiently large to make an offer for Manx without prejudicing Alliance's listing ..., Alliance will make a recommended all-paper offer for Manx."

This would involve the issue to Manx shareholders of 11 Alliance shares for every one of Manx's. Mr O'Brien holds 29.9 per cent of Manx.

The agreement was never made public. But Mr O'Brien said yesterday that Manx, having completed due diligence at Alliance, was no longer interested in the offer.

Acquisitions help BPP to £3m

By Peter Pearse

FIRST-TIME contributions from acquisitions in its publishing division helped BPP Holdings lift pre-tax profits by 35 per cent, from £2.2m to £2.97m, in the first half of 1991.

Turnover at the financial training and publishing group rose to £23.3m (£19m). The publishing side increased profits to £1.09m (£191,000) on turnover of £8.15m (£2.67m).

Mr Richard Price, chairman, said some £900,000 of the advance was due to the inclusion of Melrose, which makes video-based training packages, and Letts Educational, a publisher of home-study books for A-level and GCSE exams, though there had also been about £100,000 of launch write-offs from a series of titles on financial risk management.

Mr Price said the parts of BPP's training and publishing businesses which led to the taking of exams had remained "fairly robust," but activities not leading to exams had seen a fall-off in discretionary spending.

He also pointed to the "virtuous circle" whereby "student-driven" expansion in courses for the Stock Exchange, banking, and all types of accountancy resulted in higher sales of the text books needed for those courses.

Profits in professional training grew to £522,000 (£492,000) on turnover up £1.1m to £5.4m.

The language training side – of which two thirds is overseas – increased profits from £439,000 – depleted by the Gulf war – to £620,000 on reduced turnover of £9.03m (£9.36m).

Linguarama needed "a real improvement in business confidence" to fulfil its potential.

"Softer recruitment" last September in the five independent sixth-form colleges, or crammers, owned by MPW resulted in lower profits of £500,000 (£642,000) in the academic education division.

Earnings were 7.2p (6.4p) and the interim dividend 2.7p (2.4p). The group has no borrowings.

TT wins Magnetic Materials

By Jane Fuller

JUST OVER a year after failing to gain control of Magnetic Materials Group in a hostile bid, TT Group has secured its target – this time by a recommended route.

The industrial holding group's 3-for-10 share offer, with a partial cash alternative, had been accepted by the holders of 10.2 per cent of the shares yesterday; that gave control to TT, which already owned 40 per cent.

Now unconditional, the offer values MMG, a USM-quoted maker of magnetic components, at £11.1m – or 60.6p a share – using TT's closing price of 202p. Last year's cash bid was worth £9.9m, but more TT shares were on offer in the 4-for-10 paper alternative.

The earlier bid was blocked by a family holding of 44 per cent, headed by Mr Eduard Michaelis, the group's nonagenarian founder.

Since then the board had changed entirely, the group had been rationalised, planned property sales had proved difficult to attain and the economic climate had worsened.

Mr Nick Walker, finance director, said the new board felt that TT could offer additional resources to MMG. The predator's tenure of a 40 per cent stake had created uncertainty over future ownership, inhibiting efforts to develop the business independently.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BICC	int	6†	Jan 2	6	-	19.25
BPP	int	2.7	Nov 14	2.4	-	6.9
Britannic Assur	int	10.3	Oct 2	9.2	-	29.5
City Merchants	int	2.875‡	Oct 9	2	-	3.25
Dunedin Income	int	8.4	Oct 2	8.4	-	25.4
Flem High Inc	int	1.45	Oct 1	1.45	-	5.8
Irish Life	int	3♣	Nov 27	nil	-	5.44
Jos	fin	3.9	Oct 30	4.375	5.65	5.5
Marley	int	2.1	Oct 30	2.1	-‡	6.35
McKay Secs	fin	3.5	Oct 9	3.4	6.7	6.4
Rosebys	int	0.9	Oct 15	-	-	-
Victaulic	int	2.5	Oct 8	2.35*	-	7.35*

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ♣Irish pence. ‡Total of 4.2p forecast. ‡Second interim making 4.875p to date.

Irish Life pays maiden 3p

By Tim Coone in Dublin

IRISH LIFE reported a 4.3 per cent drop in premium income for the first six months of 1992, from I£324.9m to I£311m (£293m), but declared a maiden interim dividend of 3p.

The company, privatised in July last year, is the largest life and pensions insurer market in the Irish Republic, as well as that country's biggest fund manager.

On the basis of a 1:2 interim/final split, the total dividend will be up by 10 per cent on 1991 according to Mr John Hogan, head of research at Riada stockbrokers in Dublin. "This is up to the market's best expectations", he said.

Irish recurring premiums were up 3 per cent to I£135.9m (I£131.9m).

The overall downturn was due to the combination of a 10 per cent fall in single premium business in the home market to I£61.3m (I£67.9m), and a sharp fall in the US where new business at its Interstate Assurance subsidiary fell to I£26.8m (I£43.7m).

COMPANY NEWS: UK

A quest for new connections

Roland Rudd on Cable and Wireless's search to find a partner

HARDLY A month goes by without a new story or rumour surrounding Cable and Wireless's plans to seek an alliance or partnership with another telecommunications company.

First there were talks with American Telephone and Telegraph, the giant US telecommunications group, on a global alliance between the two companies. Earlier this year Cable's share price rose on news of the talks but fell sharply when they failed.

Next, reports suggested US West, one of the seven "Baby Bell" regional companies spun off from AT&T in 1984, was in talks about forming a partnership with Mercury Communications, Cable's UK telephone subsidiary.

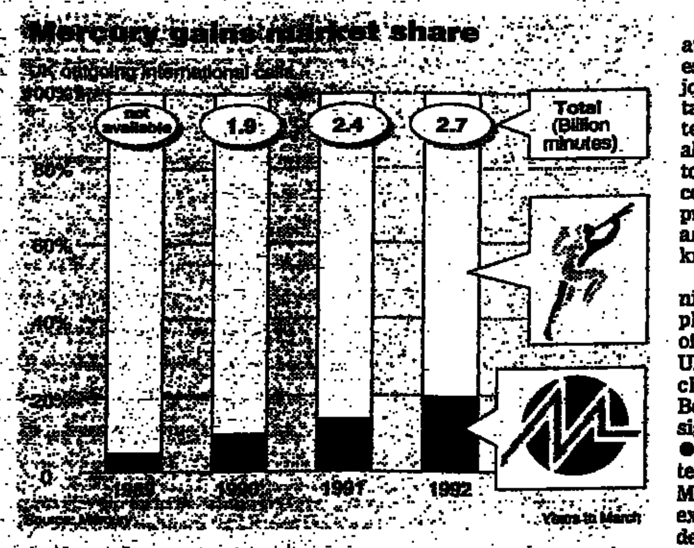
Then rumours suggested the talks were off because of US regulatory problems; earlier this week the talks were confirmed as on again. The market, punch drunk with rumours of telecommunication alliances, no longer knows what to make of it. So what is Cable up to?

The group confirms it is seeking a link-up between Mercury and another telecommunications company. One purpose is to increase Cable's profits generated outside Hong Kong. For the year to March Hong-Kong Telecom, in which Cable holds a majority stake of 58.4 per cent, generated 60 per cent of the group's £644m pre-tax profits.

There are two ways for Cable to grow: expanding existing operations and establishing new ones.

When it comes to the latter Cable is hopeful of getting licences to operate in parts of eastern Europe, Australia, Sweden, Japan and elsewhere. In the long term it is looking at establishing a network linking the large towns surrounding St Petersburg and Moscow, known as the "Golden Ring".

These ventures could prove expensive on top of existing capital spending commitments of £1bn over the next three years. The group, therefore, needs a partner to inject equity.



With regard to expanding existing operations Mercury is the obvious candidate. Measured by trading performance it is expanding faster than Cable's other businesses, with revenue growing by 34 per cent in fiscal 1992 compared with HongKong Telecom's 28 per cent growth.

Mercury was set up in 1982 to compete with British Telecommunications. It concentrated on the lucrative international market. It has 7 per cent of the domestic market compared with 18 per cent of the international market.

It believes the only way of challenging BT's dominance in the UK is by winning over more residential customers by making a significant inroad into the local market.

Mercury plans to increase the number of residential customers from 200,000 to 2m by the year 2000. To expand in the local residential market would require a significant amount of investment – which is another reason Cable is looking for a partner.

To achieve its twin goal of challenging BT's dominance in the UK and establishing new operations abroad it therefore started talks with US West about selling a stake in Mercury.

US West would need US government permission to take a stake in Mercury in order to participate in international services. The Federal Communication Commission, the US regulatory authority, has said waivers to participate in international services had been given to other Baby Bells in the past and would probably be given in the future.

Mr James Ross, Cable's chief executive, envisages four elements to an agreement with another telecommunications company.

● It must be a strategic alliance that would link Mercury's long-distance network with a local network in the UK. This could require a massive investment to take on BT in the UK. Any deal would probably lead to Cable's partner agreeing to underwrite part of that investment.

● Cable is seeking a stake in the partner's cable television interests, not because it wants to diversify into cable – although it could provide long-term benefits – but so it can reinforce its commitment to build Mercury's residential customer base.

For example Cable is negotiating to take a stake in TeleWest, US West's cable television joint venture in the UK. If the talks succeed US West's cable television network would be able to provide a local network to Mercury at no great extra cost to itself. Mercury would provide the long-distance links and probably the exchanges, known as switches.

The cable television companies are already installing telephone lines into homes and offices. TeleWest is the largest UK cable operator with 17 franchises serving 2.9m homes. Between 40,000 and 50,000 have signed up for telephones.

● A partner mould be expected to pay cash for a stake in Mercury to finance its future expansion in the UK. With net debt of £612m compared with shareholders' funds of £2.9bn for the year to end-March, Cable does not need to reduce borrowings, Mr Ross says. In fact he expects net debt to rise to about £1bn in the next year. An equity stake in Mercury would be mainly used to finance its expansion instead of reducing borrowings.

● The sale of a stake in Mercury would put a value on it and thus could lead to a separate listing from Cable. Hong-Kong Telecom already has its own listing on the Hong Kong, New York and Pacific stock exchanges.

Mr Tim Hirst, telecommunications analyst at Kleinwort Benson, says: "The market believes Mercury is worth about £2bn. So any sale that values it at more than that will have a positive impact on the shares."

The talks with AT&T – about creating a global alliance between the two telecommunications groups – failed because they did not include the four elements outlined by Mr Ross. US West appears to be able to meet all four. By publicly spelling out Cable's terms for doing a deal in the future Mr Ross is trying to tell the market that any talks currently taking place are likely to be more focused.

NEWS DIGEST

Lowe warns on second six months

LOSSES WERE reduced to £162,000 at Robert H Lowe in the six months to April 30, but the company said problems in its childrens' wear division would affect the second half.

The improvement at the pretax level came from sales of £15.5m (£15.8m) and compared with a deficit last time of £396,000. The Cheshire-based company also manufactures leisure wear.

Interest payable fell to £624,000 (£799,000) reflecting reduced borrowings after last October's rights issue. Losses per share were 0.95p (8.27p).

Rationalisation measures at the childrens' wear division reflected a sharp reduction in forward demand. The measures, which will cost £1.5m, include closure of the Dublin and Durham factories and job cuts.

The directors do not expect to pay the second half preference dividend due in October.

Unilever negotiating Dutch acquisition

Unilever is in an advanced stage of negotiation to acquire Im van den Berg, a Dutch frozen food and ice cream products trading company.

Over the past 20 years the Nijkerk-based company has built up a trade-focused service organisation in the Netherlands providing a range of frozen products including fish, vegetables, potato products, ice cream, pastry confectionery and snacks.

Transport activities are excluded from the deal.

£5.4m exceptionals pull down Bredero

Exceptional charges in the half year to June 30 increased losses at Bredero Properties from £1.27m to £4.43m.

Turnover rose to £40.5m (£24.1m).

There was a profit of £991,000 before exceptionals of £5.42m, comprising adjustment on the sale of the interest in Bon Accord Centre, Aberdeen, and the expected loss on the disposal of a development property which, because of local planning changes, will now be sold.

Bon Accord Centre was sold in May to Land Securities for £58m. That benefited cash flow immediately and reduced net borrowings from £96m to £69m over the period.

Losses per share reached 13.4p (3.9p).

City Merchants High Yield assets up

City Merchants High Yield Trust reported a net asset value of 101.5p at June 30, up from 92.7p at its December year-end.

The trust, which came to the market in May last year, achieved net revenue of £734,646 in the six months to end-June for earnings of 4.897p per share.

A second interim dividend of 2.875p brings the total so far this year to 4.875p.

Dunedin Income to maintain dividend

Over the six months to July 31, net asset value of Dunedin Income Growth Investment Trust fell by 6.6 per cent to 506.5p, but outperformed the relative indices.

The 6 per cent discount to asset value was eliminated and turned into a 1 per cent premium. At the end of July 1991 the asset value stood at 596.7p.

Net revenue in the half year fell to £3.8m (£4.77m), and earnings per share dropped to 11.96p (15p).

However, the interim dividend is again 8.4p and the final will at least be maintained at 17p by drawing on reserves.

Interest charges hit McKay Securities

Higher interest charges resulted in pre-tax profits of McKay Securities falling from £3.81m to £3.17m in the year to March 31.

Net interest payable by this property investment and development group rose £800,000 to £3.3m following the cessation of capitalisation of interest on certain developments prior to becoming income-producing.

Pre-tax profits in the current year will be depressed further because of recession, directors said.

There were no schemes under development or planned to start in the near future.

Value of the UK investment properties had been reduced by 9.6 per cent and the carrying value of development properties by 14.3 per cent. They have been charged to revaluation reserve.

Earnings per share came through at 10.4p (11.6p). The final dividend is 3.5p, for a total of 6.7p (6.4p).

Losses deepen to £1.7m at de Morgan

Pre-tax losses at de Morgan Group, which provides property investment and finance advice, deepened from £1.13m to £1.71m in the year to April 30.

Mr P Cooper, chairman, said the property market had remained difficult during the year with a resultant decline in turnover. However, the first quarter of the current year showed a small profit, reflecting an improvement in transaction activity.

Turnover fell to £1.38m (£2.69m). Losses per share worked through at 3.06p (3.03p).

Aberfoyle placed in administration

Aberfoyle Holdings, the agriculture and security products group whose shares were suspended earlier this month at 2¼p, has been placed in administration.

The company, with most of its operations in Zimbabwe, asked for the administration order 11 days ago saying its financial position had "deteriorated to the point where it had insufficient sterling funds to enable it to continue to trade."

Touche Ross have been appointed as administrators.

A group of dissident shareholders won control of the board last November promising to restructure the company.

Mr Kojo Owusu-Nyantkyi, one of the dissidents and now a member of the board, and his private company, Crescent Africa, hold a 26 per cent stake in Aberfoyle. He said yesterday that he had a rescue plan of his own and suggested the company should be operating out of Zimbabwe.

"We are developing our own plans. I still believe the company has potential but it has been botched up by successive managements. It hasn't been developed properly from its base in Africa," he said.

PUBLIC WORKS LOAN BOARD RATES

Effective August 19

Years	Quote loans* EP†	A††	maturity§
1			10¼
Over 1 up to 2	10¼	10¼	10¼
Over 2 up to 3	10¼	10¼	10⅛
Over 3 up to 4	10⅛	10⅛	10
Over 4 up to 5	10	10	10
Over 5 up to 6	10	10	10
Over 6 up to 7	10	10	10
Over 7 up to 8	10	10	10⅛
Over 8 up to 9	9⅞	10	10⅛
Over 9 up to 10	10	10	10¼
Over 10 up to 15	10⅛	10¼	10¼
Over 15 up to 25	10⅜	10¼	10⅛
Over 25	10¼	10⅛	10⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Copper 'heretic' forced out of Chilean think-tank

By Leslie Crawford in Santiago

CHILE'S RULING Christian Democratic Party has excommunicated one of its chief economists for the heresy of proposing that the state copper company Codelco, the world's biggest copper producer, should be privatised.

Mr Pedro Calvo was forced to resign from the Christian Democrat's economic think-tank this week after his comments to a national newspaper provoked a major earthquake in political circles.

The government immediately went on the record as saying it had no plans to privatise Codelco. It argued that it was too important to the Chilean economy: it produces 13 per cent of the world's copper, close to a third of Chile's exports, a fifth of the government's income and 4.5 per cent of the country's gross domestic product. A tenth of Codelco's gross sales, which totalled $2.77bn last year, goes directly to the armed forces.

The company's public nature is enshrined in the Chilean constitution and has been an article of faith since the copper industry was nationalised in the 1970s.

Yet Mr Calvo is not alone in his unorthodox views. The private-sector Mining Chamber and leading businessmen have leapt to his defence, arguing that the government is trying to stifle genuine debate on Codelco's problems. These include a history of under-investment, ageing mines, falling production, overmanning and rising production costs.

Investment is the most pressing problem. Codelco has provided more than $17bn to state coffers since its creation in 1976. But only 0.2 per cent of its profits has been reinvested back into the company.

"Privatisation is the only technical solution for Codelco's problems," says Mr Hernan Guilloff, president of the Mining Chamber. "Only a few politicians and those who have their jobs to defend disagree." The latter include Chile's powerful Copper Workers Union, whose 19,000 members are the most vocal defenders of Codelco's state ownership.

Leading businessmen, such as Mr Fernando Leniz, who sits on the boards of several large Chilean companies and is considered the elder statesman of the country's private industry, argue that Codelco's public ownership is an anomaly in a country that pioneered privatisations in Latin America. He and others are urging the government to sell off the remaining state concerns to release resources for spending on health and education. "If we consider Codelco, the ports, water companies and the few utilities that remain in state hands, the government could easily raise $10bn within five years," Mr Leniz wrote in the newspaper El Mercurio.

Although few politicians risk broaching this taboo subject in public, the idea that Codelco should be opened to some kind of private sector participation is gaining strength across the political spectrum. It also has supporters within the government and the company itself. They argue that the state can no longer meet the estimated $700m a year Codelco needs to develop new mines, modernise its smelters and clean up the industry.

They concede, however, that the issue is too explosive to be tackled in the final two years of President Patricio Aylwin's government. "It would destroy the ruling centre-left coalition," says Mr Juan Pablo Letelier, a Socialist deputy in congress who opposes Codelco's privatisation.

Radioactivity worry at Kazakh field

By Neil Buckley

A NEW potential hazard has emerged for companies wishing to invest in the former Soviet Union's energy sector: radioactivity.

British Gas is carrying out an environmental study of the Karachaganak oil and gas field in north-western Kazakhstan to check whether it was contaminated by a number of underground nuclear explosions carried out in the area between 1962 and 1987. The company, together with the Italian state-owned oil company Agip, won exclusive rights to negotiate for the development of the field in July.

The testing involved smaller nuclear devices designed for peaceful purposes, rather than weapons, which were tested at Semipalatinsk, 600 miles away in north-east Kazakhstan. The two latest tests were in 1984 and 1987.

Although the detonations were on the periphery of Karachaganak, rather than on the field itself, experts say there could still be a risk of contamination.

The company insisted yesterday it was aware throughout negotiations with the Kazakhs that the area had been a nuclear testing site.

Two initial studies, carried out by British Gas and Agip, and Control Risks, the security consultants, had found no radioactivity, but the full environmental survey now under way would include further radiation checks.

"We are 99 per cent satisfied that there is no problem," BG said yesterday.

British Gas and Agip hope to sign a contract to develop the field by next summer, likely to entail investment of $6bn over the first ten years, and up to $20bn over the 40-year life of the field. With 20 trillion (million million) cubic feet of gas and 2bn barrels of oil, the field is one of the biggest in the world.

The field will help British Gas to achieve its aim of increasing earnings from exploration and production, and will increase Agip's oil and gas reserves by about 50 per cent.

ARGENTINA AND Brazil yesterday signed a letter of intent opening the way for the joint development of a potentially huge gas field in north-western Argentina in a project that could involve investment totalling US$8bn, writes John Barham in Buenos Aires.

The presidents of Yacimientos Petroliferos Fiscales SA, Argentina's state-owned oil company, and Petrobras, its Brazilian counterpart, signed an agreement that would give Petrobras a 15 per cent share in its underdeveloped Northwest Basin.

YPF plans to sell 55 per cent of the basin to private investors in October. It will retain 30 per cent, with the remaining equity held by Petrobras, which is expected to receive a discount to the privatisation auction price.

A YPF official explained that Brazilian involvement was vital to attract private investment to the Northwest Basin. "This basin is only interesting if the gas has a market," he said, "and the only market is in Brazil."

Three southern states of Brazil plus the state of Sao Paulo, the country's most heavily industrialised region, could consume about 30m cubic metres of gas a day exported from the Northwest Basin along a 2,400 km (1,500 mile) gas pipeline. The entire project would cost $8bn and take eight years to complete, the official said.

Prospectors go for grand slam in diamonds

The latest rush is raising doubts about De Beers' cartel, writes **Kenneth Gooding**

IT IS ironic that there is an unprecedented, greedy rush for diamonds by miners in Angola and Canada precisely at a time when the diamond business is in turmoil and questions are inevitably being asked about the ability of the world's most successful cartel to keep its tight grip on the market.

In Canada's Northwest Territories, the discovery of 81 small diamonds, some of gem quality, has sparked the biggest rush to stake mining claims in the history of the North American industry.

Stakers are using helicopters because each claim area is so large and prospectors have claimed every piece of land within 300 km (185 miles) of the discovery.

In spite of all this hectic activity, it is very unlikely that anyone will find enough big diamonds to make the development of Canada's first diamond mine worthwhile.

The odds in favour of making a fortune are much better for the diamond hunters in Angola. More than $1m-worth of gem diamonds a day are being smuggled out of that country for sale in Antwerp.

An estimated 50,000 private-enterprise diggers are at work already and their numbers are being swelled by 500 a day. This rise of illegal mining, particularly in the Cuango region, which produces 80 per cent of Angola's diamonds and some of its highest-quality gem stones, started in May, 1991, after the peace accord which allowed freedom of movement for the first time in 16 years.

As well as experienced miners, many soldiers who could not find civilian jobs have made their way to the diamond areas. The onset of the dry season and the fall in river levels from the end of May this year has encouraged what De Beers, the South African group that dominates the world diamond business, describes as "a sudden and unprecedented explosion in the supply of illicit Angolan diamonds reaching the market".

The future of De Beers' diamond operations in Namibia were discussed with the government there yesterday. In the past there have been suggestions that CDM, De Beers' wholly-owned subsidiary, might be at least partly nationalised. CDM, has diamond mining operations over a coastal area extending 100 km north of the Orange River and recently brought the Auchas and Elizabeth Bay mines into production. Last year Namibian output reached 1.19m carats, up from 750,000.

Even though there are so many diggers at work, questions are being asked about whether there might be more to this "explosion." Did Unita, Angola's rebel movement, build up a stockpile which is now being released? Is Endiama, Angola's state-owned diamond company, implicated in some way? In the murky world of diamond dealing such rumours abound.

De Beers probably knows the answers because its intelligence network is remarkable.

What is also remarkable is that all those scrambling for diamonds in Angola or dropping out of the skies to stake expensive claims in Canada take it for granted that the diamond cartel will be able to continue to keep prices up and make all their efforts worthwhile.

The cartel has survived partly because nobody needs diamonds. They are composed of very hard carbon so they can be useful for drilling holes in tough material, but there are substitutes for this use. Gem diamonds are solely for decoration and serve no useful purpose.

But the cartel has ensured that rough (uncut) diamond prices have risen steadily since the 1930s – even when in the depths of the 1981-86 recession the price of a top-quality, one carat gem diamond slumped in the retail market from $60,000 to $10,000.

The cartel is organised by De Beers' London-based Central Selling Organisation, which markets about 80 per cent of the world's rough diamonds. Apart from De Beers' own production from Namibia and South Africa, the CSO handles rough gem diamonds from Angola, Australia, Botswana, Russia, Tanzania and Zaire.

Rough Diamond Production (million carats)

	1991	1990	1987
Australia	36	36	30
Zaire	19	24	21
Botswana	16.5	17.3	13
CIS	13	15	12
South Africa	8.2	8.5	9.6
South America	1.4	0.8	1
Angola	1.3	1.3	0.9
Others	1.8	2.1	2.35

Source: Metals & Minerals Annual Review

The CSO has been mopping up as many of the smuggled Angolan diamonds as possible to stop havoc being created in a business already suffering severely from soggy demand in the US and Japan, the two biggest markets, which share about two-thirds of demand between them.

De Beers says that, because times are tough, it will probably have to cut its annual dividend payment for the first time since 1981. It has also told the producers to cut deliveries by 25 per cent – something the CSO contracts permit at times of stress.

De Beers releases a controlled stream of rough diamonds to the market through "sights" offered by the CSO ten times a year to about 160 selected buyers. They are offered boxes of diamonds, each worth between $500,000 and $25m. The contents are judged by the CSO to balance the requirements of the buyers with market demand. Buyers have either to accept all the diamonds or reject the box.

Mr Harry Oppenheimer, whose family effectively controls both De Beers and its sister group, the Anglo American Corporation of South Africa, was defending the cartel again last week at the formal opening of the R1.1bn Venetia diamond mine in the Transvaal. "The CSO does not, and could not, run a monopolistic system," he said. "In bad times like this, I sometimes wish that we could. The fact is that the level of world diamond production, which is carried on in many countries, cannot be controlled. Diamond prices cannot be fixed artificially but have to be set at a level which allows production and consumption to be equated.

"What the CSO for many years has done successfully, is to operate a buffer pool, stocking diamonds in bad times and liquidating its stocks when demand is in excess of the level of supply. In this way it has been able to preserve an essential degree of stability in the price of this ultimate luxury of gem diamonds, to the common advantage of producers, processors and consumers of this unique natural product."

All very altruistic. But De Beers makes huge profits from its diamond business – a record $1.24bn in 1990 and more than $1bn last year.

The cartel nearly lost control of the market in the early 1980s. It was a time of galloping inflation, a weak dollar and low interest rates. Merchants, particularly in Israel, stockpiled diamonds on borrowed money as a hedge against inflation and when recession hit they had to dump diamonds faster than the Central Selling Organisation could mop them up. The CSO's diamond stocks, worth under $1bn in 1980 rose to $1.9bn by 1984. Hundreds of diamond investment trusts and traders were bankrupted at that time and Australia and Zaire challenged De Beers' near-monopoly.

De Beers has taken good care that merchant stocks have never again been built for speculative reasons, frequently going to the banks, the potential financiers of stockpiling operations, to "educate" them about the way the diamond market works.

After the bust came boom. Diamond sales in value terms jumped by 20 per cent in 1987 and another 37 per cent the following year. To cool the market, the CSO imposed swingeing price increases: 13.5 per cent in May 1988 and 15.5 per cent in March 1989. Underlying the boom was phenomenal growth in demand for diamonds in Japan where lack of living space encourages people to display their wealth by buying small but expensive items. The CSO boosted the trend with clever promotion so that today diamond engagement rings are regularly exchanged in Japan whereas forthcoming marriages traditionally were celebrated over a cup of rice wine.

It must be open to question whether another Japan can be found to lift the diamond market as the present recession ends.

But in the meantime Mr Julian Ogilvie Thompson, De Beers' chairman, insists that the CSO's control of the diamond market is not slipping.

"By mopping up Angolan supplies we can say that more of the world's rough diamonds are passing through the CSO than ever before," he says. "By applying the deferred purchases clauses in our contracts with producers we are applying the right medicine to ensure that demand matches supply and that the diamond market will remain stable".

Latin American banana producers attack EC quota plan

By Sarita Kendall in Bogota

LATIN AMERICAN banana-producing countries have issued a joint statement opposing the European Commission's plan to impose quotas on banana imports from January 1, 1993.

Ministers and other delegates from eight countries meeting in Bogota criticised the commission's proposal for violating the principles of the General Agreement on Tariffs and Trade and undermining efforts to open up Latin American economies.

Mr Juan Manuel Santos, Colombia's foreign trade minister, said a quota system combined with the 20 per cent tariff could cost Latin American exporters US$5.6bn over the next 10 years. The exporters are launching a diplomatic offensive to persuade European countries to reject the quota proposal.

"We have sufficient allies to veto it," said Mr Santos, referring to the six EC members who do not apply any import restrictions now.

The Latin Americans are taking the banana issue to the Gatt on the grounds that a quota system is illegal. They are also sending a letter to Mr Douglas Hurd, the UK foreign secretary, setting out their position.

According to the joint statement, the commission's plan would upset world banana trading, raise the price of the fruit for European consumers and damage Latin American economies by reducing export income and putting jobs at risk.

At present, the exporters' group includes the Central American countries and Colombia, Ecuador and Venezuela. Mr Santos said that Mexico was expected to join soon and the group might be able to unite all the remaining Latin American producers. All the countries would accept higher tariff levels rather than face quotas.

Colombia and Ecuador are particularly indignant over the EC's treatment of them as "transnational" exporters, when most of their marketing is in national hands. Between them, the two countries supply about 20 per cent of EC banana imports; last year Ecuador earned more than US$700m and Colombia US$380m from world-wide banana sales.

WORLD COMMODITIES PRICES

MARKET REPORT

London **COCOA** prices showed no inclination to come down from the day's peaks, closing up to £17 a tonne higher. The market rallied on Tuesday on concern over growing conditions in west Africa, exacerbated by talk that one trade house was circulating bullish crop forecasts. **COPPER** prices were consolidating on the LME after the $90 rise of the past two days and at one stage three-month metal dipped back towards support around $2,540 a tonne. But renewed strength in Comex prompted mixed buying and short covering in London, which sent the price up to $2,560 by the close, up $4 from Tuesday.

New York **ORANGE JUICE** prices were sharply down at midday as traders reacted to reports that Brazil had lowered its bulk price in line with Florida cash prices. Brazilian processors had been hesitant to cut prices until after the USDA Florida October crop assessment, said one analyst, but with estimates circulating for a sizeable Florida crop they had little choice. Nymex **PLATINUM** futures were higher by midday on talk of overnight Japanese buying. In Chicago **SOYABEANS** were lower in late trading after news suggesting a possible record crop in the eastern Midwest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.80-90d	-.075
Brent Blend (dated)	$19.75-80d	-.125
Brent Blend (Oct)	$19.90-95	-0.10
W.T.I (1 pm est) §§	$21.20-25d	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	
Gas Oil	$172-174	-5
Heavy Fuel Oil §§	$85-86	-1
Naphtha	$190-191	-2
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$338.05	+1.9
Silver (per troy oz)♣	379.5c	-1
Platinum (per troy oz)	$347.50	+4.25
Palladium (per troy oz)	$83.60	+1.1
Copper (US Producer)	119.0c	
Lead (US Producer)	40.0c	
Tin (Kuala Lumpur market)	18.61r	-0.21
Tin (New York)	313.5c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.26p	+0.08*
Sheep (live weight)†♠	73.55p	+1.61*
Pigs (live weight)†	80.57p	+1.72*
London daily sugar (raw)	$259.0w	-2
London daily sugar (white)	$284.0w	-2.5
Tate and Lyle export price	£243.0	-1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	
Rubber (Oct)♥	51.00p	+0.50
Rubber (KL RSS No 1 Jul)	219.5r	
Coconut oil (Philippines)§	$505.0z	+2.5
Palm Oil (Malaysian)§	$385.0y	+5
Copra (Philippines)§	$322.5	
Soyabeans (US)	£134.0	-1
Cotton "A" index	59.15c	+0.05
Wooltops (64s Super)	372p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Aug/Sep y-Sep d-Oct. z-Oct/Dec. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices ‡ Correction for 19/8/1992,W.T.I 21.30-21.35. H.Fuel Oil 86-87.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	208.00	211.00	210.00 205.00
Dec	201.00	206.00	203.00 198.00
Mar	198.20	201.60	201.00
May	198.00		203.40
White	**Close**	**Previous**	**High/Low**
Oct	260.50	264.00	263.10 258.10
Dec	258.20	259.80	258.50 254.10
Mar	259.20	262.50	261.30 257.50
May	263.00	266.50	265.50 261.70
Aug	267.90	271.30	270.00 267.20
Oct	258.70	261.00	260.00 258.00
Dec	259.30	260.50	259.50

Turnover: Raw 221 (49) lots of 50 tonnes. White 1163 (405) Paris- White (FFr per tonne): Oct 1280.16 Dec 1275.81

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Oct	19.86	20.00	20.04 19.83
Nov	19.87	20.00	20.03 19.85
Dec	19.85	19.98	19.98 19.82
Jan	19.67	19.81	19.81 19.67
Feb	19.62	19.72	19.70 19.63
Apr	19.35	19.56	19.43
IPE Index	20.06	20.00	20.06

Turnover 18521 (16000)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Sep	178.75	181.50	180.75 178.00
Oct	183.25	185.75	184.75 182.75
Nov	186.25	188.00	187.00 185.25
Dec	188.25	189.75	188.75 187.00
Jan	188.25	189.50	188.25 187.00
Feb	184.50	185.75	185.00 184.50
Mar	181.50	182.00	181.75 180.75
Apr	178.50	179.75	179.25 178.25
May	177.50	178.25	177.50 176.50

Turnover 10879 (10656) lots of 100 tonnes

WOOL

The market remains steady with very slightly firmer tendency in Australia. Currency rates for the Australian dollar are less weak than they were a few days ago but currency is certainly still a factor creating an impression of an easier tendency for buyers in most major consuming countries. Coupled with a recession which if not deepening is showing no sign of widening recovery, the wool-using sectors are showing caution in operating even though wool is agreed to be cheap. The Australian Wool Corporation's market indicator on August 19 was 544c a kg. compared with 530 a week before

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	620	608	625 615
Dec	654	638	657 646
Mar	685	669	684 675
May	704	688	704 695
Jul	722	707	721 714
Sep	738	725	740 732
Dec	765	754	763 759
Mar	793	780	787 785

Turnover: 10034 (6625) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 18 813.95 (795.95) 10 day average for Aug 19 799.58 (800.89)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Sep	721	711	725 715
Nov	740	734	745 733
Jan	753	742	757 748
Mar	768	765	770 761
May	780	778	780 772
Sep	810	818	815 809

Turnover 2790 (3987) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 18: Comp. daily 44.88 (44.05) 15 day average 46.27 (46.40)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	63.0	63.0	

Turnover 133 (59) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	118.00	118.00	118.00
Feb	121.20		121.20

Turnover 200 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Aug	1081	1084	1081 1080
Sep	1128	1135	1130 1125
Oct	1205	1210	1210 1203
Jan	1236	1244	1236
BFI	1076	1075	1076

Turnover 111 (109)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Sep	113.15	113.30	113.15
Nov	115.65	115.60	115.65 115.60
Jan	119.45	119.50	119.45
May	125.50	125.60	125.55 125.50
Barley	**Close**	**Previous**	**High/Low**
Sep	109.40	109.60	109.45 109.40
Nov	112.90	112.85	112.90 112.85
Jan	116.60	116.60	116.60
Mar	119.45	119.60	119.45 119.40

Turnover: Wheat 186 (112), Barley 160 (47).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	106.0	106.0	105.5
Sep	106.0		105.5
Oct	106.5		106.0
Nov	106.0	105.5	105.5
Jan	101.0		99.8 99.0

Turnover 25 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,898 lots
Cash	1299-1300	1298-99		1293-93.5		
3 months	1323-23.5	1322-22.5	1329/1317.5	1317-17.5	1324-4.5	178,413 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,829 lots
Cash	1321-22	1322.5-23.5	1321	1321-21.5		
3 months	1344-45	1344.5-45	1347.5/1341	1344-44.5	1346-47	146,655
Lead (£ per tonne)						Total daily turnover 2,778 lots
Cash	332.5-33	331-32		328-29		
3 months	342.5-43	342-43	343/338	339-39.5	342-43	28,779 lots
Nickel ($ per tonne)						Total daily turnover 4,963 lots
Cash	7205-15	7210-20	7187/7185	7187-88		
3 months	7285-88	7285-300	7305/7255	7260-65	7285-90	24,740 lots
Tin ($ per tonne)						Total daily turnover 1,309 lots
Cash	6750-55	6760-70	6748/6747	6748-50		
3 months	6785-90	6785-90	6800/6775	6775-80	6795-805	12,136 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,814 lots
Cash	1360-61	1360-62		1358.5-59.5		
3 months	1333-34	1336-37	1340/1331	1330-31	1336-37	66,655 lots

LME Closing £/$ rate:
SPOT: 2.0000 · 3 months: 1.9885 · 6 months: 1.9380 · 9 months: 1.9085

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	337.90-338.20	
Opening	337.20-337.60	
Morning fix	338.60	174.531
Afternoon fix	338.00	175.084
Day's high	338.60-338.90	
Day's low	337.30-337.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.60	6 months	2.65
2 months	2.60	12 months	2.72
3 months	2.60		

Silver fix	p/troy oz	US cts equiv
Spot	197.30	380.40
3 months	202.45	383.60
6 months	207.45	386.65
12 months	218.00	394.15

GOLD COINS

	$ price	£ equivalent
Krugerrand	337.00-339.00	175.00-177.00
Maple leaf	347.95-350.25	
New Sovereign	80.00-82.00	41.00-43.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	57	87	3	8
1300	16	52	9	22
1350	3	27	44	46
Copper (Grade A)	**Calls**		**Puts**	
2500	70	96	5	44
2550	34	69	19	66
2600	12	47	47	94
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	20	64		25
750		38	30	49
800		22		83
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	3	50	8	21
650		36	30	22
675		26		47
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2000	30	51		54
2050	12	31	37	65
2100	8	22	69	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	337.9	335.8	338.1	337.9
Sep	338.1	336.0	0	0
Oct	339.2	337.1	339.8	338.8
Dec	340.8	338.7	341.3	340.3
Feb	342.5	340.4	342.8	342.0
Apr	344.1	342.0	344.5	343.7
Jun	345.8	343.7	0	0
Aug	347.6	345.5	347.9	347.9
Oct	349.5	347.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	346.3	343.3	348.0	346.0
Jan	344.3	341.8	346.0	344.0
Apr	345.8	342.6	346.8	346.3
Jul	346.8	343.8	348.5	346.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	377.2	377.1	0	0
Sep	377.7	377.7	380.0	376.5
Oct	379.6	379.6	0	0
Dec	381.3	381.3	383.5	380.0
Jan	382.6	382.6	0	0
Mar	385.2	385.2	387.0	384.0
May	387.8	387.8	388.5	388.5
Jul	390.2	390.2	392.0	390.0
Sep	393.1	393.1	394.0	394.0
Dec	397.5	397.5	398.5	398.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	114.25	114.60	115.10	114.20
Sep	114.55	114.90	115.60	114.40
Oct	114.70	115.05	114.65	114.65
Nov	114.90	115.20	0	0
Dec	115.05	115.35	116.15	115.00
Jan	114.60	115.00	115.10	115.10
Feb	114.35	114.40	0	0
Mar	113.65	114.05	114.55	113.60
Apr	112.70	113.05	0	0
May	112.25	112.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.19	9.41	9.35	9.08
Mar	8.91	9.06	9.01	8.81
May	8.88	9.02	8.99	8.83
Jul	8.86	9.01	8.94	8.82
Oct	8.78	8.92	8.86	8.73

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.37	21.47	21.48	21.34
Oct	21.18	21.32	21.31	0
Nov	21.10	21.23	21.22	21.10
Dec	21.01	21.14	21.14	20.99
Jan	20.92	21.05	20.98	20.94
Feb	20.83	20.96	20.95	20.85
Mar	20.74	20.86	20.82	20.79
Apr	20.64	20.76	20.73	20.70
May	20.54	20.66	20.63	20.60
Jun	20.45	20.56	20.56	20.53

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Sep	5815	5881	5800	5810
Oct	5924	5990	5985	5920
Nov	6045	6106	6105	6035
Dec	6160	6214	6220	6160
Jan	6215	6264	6260	6220
Feb	6135	6184	6175	6140
Mar	5945	5984	5965	5950
Apr	5770	5799	5790	5760
May	5650	5669	5680	5660
Jun	5570	5589	5585	5565

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1061	1050	1064	1040
Dec	1106	1103	1118	1092
Mar	1157	1152	1166	1145
May	1192	1187	1195	1183
Jul	1223	1218	1215	1212
Sep	1253	1248	0	0
Dec	1288	1283	0	0
Mar	1324	1319	0	0
May	1352	1347	0	0

COFFEE "C" 37,500lbs; cents/lbs.

	Close	Previous	High/Low	
Sep	50.80	50.15	51.30	48.80
Dec	53.05	53.20	53.85	51.85
Mar	55.70	56.00	56.40	54.25
May	59.75	60.05	60.25	58.50
Jul	61.80	62.40	62.60	60.90
Sep	63.75	64.20	64.25	63.50
Dec	67.25	67.50	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	59.27	60.36	60.10	59.11
Dec	56.70	57.88	57.45	56.37
Mar	57.82	58.93	58.50	57.50
May	58.45	59.48	58.85	58.20
Jul	58.80	59.86	59.55	58.80
Oct	60.75	61.05	0	0
Dec	60.57	61.03	60.60	60.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	111.20	113.50	113.05	109.90
Nov	107.20	109.70	109.20	105.90
Jan	106.80	108.80	108.60	105.80
Mar	107.00	108.85	108.60	106.25
May	107.20	109.25	107.00	107.00
Jul	106.70	108.75	107.00	107.00
Sep	106.70	108.75	0	0
Nov	106.70	108.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.19	Aug.18	mnth ago	yr ago
1529.2	1524.5	1596.8	1639.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.18	Aug.17	mnth ago	yr ago
Spot	115.84	115.64	118.20	119.29
Futures	115.95	115.56	119.03	119.71

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	549/0	550/2	553/0	549/0
Sep	546/0	548/0	550/2	543/6
Nov	539/2	542/2	544/4	537/6
Jan	547/0	549/4	551/0	546/4
Mar	555/6	557/4	559/0	553/6
May	562/4	563/2	564/4	560/4
Jul	569/2	569/2	571/0	567/4
Aug	567/0	567/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.36	18.47	18.50	18.31
Sep	18.42	18.49	18.48	18.36
Oct	18.54	18.63	18.61	18.48
Dec	18.83	18.93	18.91	18.77
Jan	18.98	19.09	19.06	18.94
Mar	19.27	19.38	19.36	19.23
May	19.57	19.66	19.65	19.53
Jul	19.85	19.93	19.85	19.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	172.5	172.3	172.5	171.6
Sep	172.1	172.3	172.9	171.5
Oct	167.9	168.6	168.8	166.9
Dec	186.8	187.3	187.8	186.1
Jan	186.5	186.6	187.2	185.9
Mar	186.1	186.0	186.3	185.4
May	186.3	185.9	186.3	185.3
Jul	186.5	186.0	186.5	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	218/2	220/0	220/0	217/4
Dec	219/6	222/2	221/6	218/6
Mar	228/4	231/0	230/6	227/6
May	234/4	237/0	236/4	234/2
Jul	239/2	241/4	241/0	238/4
Sep	240/4	241/2	241/4	240/0
Dec	243/4	244/4	244/2	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	306/6	308/4	307/6	304/6
Dec	316/6	317/4	319/4	316/2
Mar	324/6	323/0	325/4	322/0
May	324/0	321/0	324/4	320/6
Jul	315/0	312/4	315/2	311/2
Sep	320/0	317/0	0	0
Dec	331/0	328/4	331/0	328/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.175	74.125	74.350	73.800
Oct	74.325	74.150	74.400	73.725
Dec	72.975	72.850	73.100	72.675
Feb	72.350	72.125	72.425	72.025
Apr	73.425	73.300	73.450	73.175
Jun	70.400	70.050	70.450	70.050
Aug	68.925	68.700	69.000	68.900

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	44.625	44.450	44.650	44.250
Oct	40.375	40.425	40.525	39.925
Dec	40.975	40.850	41.000	40.525
Feb	40.875	40.900	40.950	40.500
Apr	39.500	39.575	39.600	39.450
Jun	44.950	45.025	45.050	44.850
Aug	43.700	43.725	0	43.600

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	39.900	40.050	40.425	39.725
Feb	41.825	41.775	42.150	41.400
Mar	41.650	41.550	41.750	41.100
May	42.825	42.800	42.875	42.400
Jul	42.300	42.300	42.600	42.300
Aug	42.250	42.250	0	0

LONDON STOCK EXCHANGE

Interest rate hopes help share prices

By Terry Byland, UK Stock Market Editor

INTEREST rate optimism, briefly revived by developments in the German money markets, helped UK equities yesterday, but gains were trimmed following discouraging news on last month's domestic retail sales. Trading volume remained poor but the market was enlivened by a number of special situations.

UK investors turned cautious in late dealings on reports that a French public opinion poll was about to disclose reduced support for the Maastricht proposals; a poll conducted by Daiwa, the Japanese house, published during trading hours yesterday, showed 54 per cent of French opinion in favour of the Maastricht treaty.

At the opening of the London market, shares showed every inclination of extending the losses of the previous session. But a fall of nine points on the Footsie was quickly replaced by a gain, eventually extending to 12 index points, when Bundesbank activity in the German money markets calmed fears of a rise in Lombard rate today. Interest rate optimism was further encouraged when the Bank of Portugal cut intervention rates for the second time within a week.

However, with equity turnover still in the doldrums, share gains began to falter. The report of a 0.3 per cent dip in UK retail sales in July was seen as evidence of continued economic gloom, while a 0.1 per cent rise in non-oil gross domestic product in the second quarter did nothing to lift spirits in the stock market. Optimism was dampened further after Ford Motor said two of its UK manufacturing plants were going on part-time working because of falling car sales.

The Footsie turned back from the day's peak of 2,367.1, taking a fresh knock when Wall Street made a sluggish start to the new session following a modest narrowing in the US trade deficit in June.

The final reading saw the FT-SE Index at 2,363.5, with a net gain on the day of 8.8. Dealers felt that, but for the Bundesbank's actions, UK stocks would have given back a little more of the attempted recovery which brightened trading sessions last Friday and Monday.

The strategy team at Nomura Research Institute maintained their bearish view, commenting that;"our advice is to sell the rally – now." The team's chief concern remains that of higher UK base rates.

Seaq volume increased only modestly to 393.5m shares; Tuesday's 361.3m represented retail business worth £730.1m, still well below acceptable levels from the industry viewpoint.

Among the day's casualties, Euro Disney shares fell in London, as they did across the range of European bourses, after a US investment bank expressed bearish views not dissimilar from those heard in London in recent weeks.

However, the domestic corporate front was brightened by a positive reception for trading news from BICC, the cable and construction group, although the chairman reiterated the need for lower UK interest rates to prompt recovery in the domestic economy.

With sterling little changed by the end of the session, there was not much activity yesterday in the blue chip international stocks.

Account Dealing Dates			
First Dealings:	Aug 10	Aug 24	Sep 7
Option Declarations:	Aug 20	Sep 3	Sep 17
Last Dealings:	Aug 21	Sep 4	Sep 18
Account Day:	Sep 1	Sep 14	Sep 28

*New time dealings may take place from 8.30 am two business days earlier.

Move by OFT hits WHSmith

THE decision by the UK Office of Fair Trading to refer distribution of national newspapers by publishers and wholesalers to the Monopolies and Mergers Commission hit W.H. Smith and John Menzies, two of the leading companies in this area of business. Smith tumbled 14 to 391p and Menzies retreated 19 to 320p.

A somewhat pointed statement by Menzies yesterday said there had already been two previous enquiries into the industry, in 1974 and 1985, as well as a decision last year by the former OFT director general not to make a referral to the MMC. While analysts agreed that a fresh inquiry was unlikely to uncover anything new, it was felt that anything which provoked negative sentiment in a thin and volatile market was bound to be damaging to the shares.

Mr Nick Hawkins at Kleinwort Benson said: "Smith has its results next week, which should give it a good forum to dispel some of the worries, but the poor sentiment is likely to overhang the stock for some time yet."

Coincidentally, Kleinwort moved from a buy to a hold on Smith yesterday prior to the announcement, Mr Hawkins arguing that the shares had had a good run and may prove volatile ahead of the results. The house advised a switch into Kingfisher, which appreciated 5 to 450p.

Euro Disney falls

Shares in Euro Disney fell heavily in Paris and London after broker Morgan Stanley became the first major US house to issue a sell recommendation on the stock, arguing that the French theme park operator will make a loss in the year to September 1993. In London, the stock closed at 800p, down 60.

The house was said to have blamed higher than expected operating costs and lease payments to the finance companies used by Euro Disney to fund its operation. These had been estimated at FFr950m per year, but were now put at around FFr1.3bn, according to Morgan Stanley. It expects to publish its full recommendation and figures shortly.

Arch Euro Disney bear Mr Nigel Reed at Paribas said he believed the company faces at least two years of losses and that the stock is likely to remain under pressure, chiefly because the market has little on which to value the shares other than Euro Disney's net asset value.

Hanson easier

Conglomerate Hanson was held back by a bearish piece of research from US brokerage house Merrill Lynch, which changed its near-term recommendation from "above average" to "neutral" following the decline in third-quarter profits reported last week.

Merrill analyst Ms Carol Neves said that because of the continuing worries about the UK economy, and particularly the housing market, the conglomerate was "continuing to mothball brick kilns". She added that prices and earnings for titanium dioxide, the whitener that represents a significant part of Hanson's income, were under pressure because of a world glut. She has trimmed her earnings per share forecast for this year by 3p to 17p. The stock eased 1¼ to 191¾p on healthy turnover of 5.5m.

Reed hit again

Pressure on magazine publisher Reed International intensified yesterday after the company's broker was said to have joined the list of those turning negative on the stock. The shares declined 9 to 459p, making a two-day slide of nearly 20.

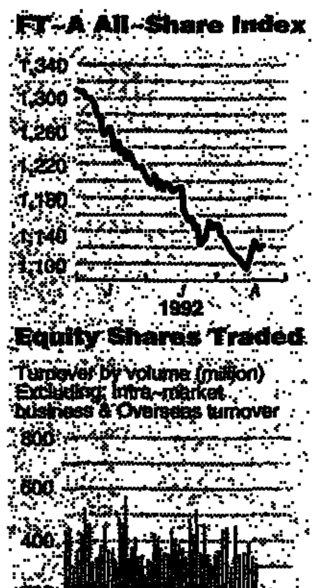
The fall began at the end of last week when agency broker James Capel said that, although the company was solid, the shares were expensive in the short term and clients should look for opportunities to switch out.

There was further selling yesterday as talk circulated that Cazenove, Reed's broker, was said to have taken a more negative view. Cazenove never comments on market speculation, but Reed is known to be holding interviews with analysts from various securities houses at present and a number of forecast cuts are believed to be in the offing. The company was talking to S.G. Warburg yesterday and is likely to have spoken to its own broker beforehand.

Good business was seen in electricity utilities as investors switched out of the package and into the individual stocks.

The first salvo was fired in the battle to launch the Racal demerger from its Chubb subsidiary, due in October. Joint broker Smith New Court produced a hefty research document, claiming that the value of Chubb suggests a pre-split share price of 78p for Racal and that investors should buy up to 70p. County NatWest, the other joint broker, will publish its research in the next few days. Racal held steady at 63½p.

Mining group RTZ put on 6 to 538p, supported by a buoyant copper market and recent dollar strength.



Britannic Assurance moved ahead 13 to 923p after announcing a raised dividend with its interim results.

Glaxo gained 8 to 728p, with S.G. Warburg said to have turned more positive.

A series of forecast cuts hit Unigate as the group became the latest in the food manufacturing sector to face a downward revision. The shares fell 22 to 253p. Northern Foods shed 13 to 252p in sympathy.

A big buyer of Forte took the hotel group to the top of the trading volume list in the market yesterday. Kleinwort Benson was said to have purchased 7.5m shares at 129p and placed them at 130p. Total turnover reached 21m. The stock gained 3 to 131p.

An upbeat presentation to analysts after the company had reported interim profits at the top end of market expectations boosted BICC. The shares reversed a recent downtrend and jumped 17 to 279p.

Consideration of results from Hickson International prompted a number of analysts to lower forecasts and the shares receded 7 to 167p.

International conglomerate Lonrho closed 5 higher at 81p, after touching 84p, on suggestions that Malaysian trading company Genting, which already has a 5 per cent stake in Lonrho, was interested in acquiring the 10 per cent shareholding held by Fidelity, of the US. Analysts, however, discounted the talk.

Airports group BAA jumped 14 to 671p in thin trading, sentiment boosted by news that it had signed a deal to sell advertising space.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 18

NEW HIGHS AND LOWS FOR 1992

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FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday August 19 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Aug 18 Index No.	Mon Aug 17 Index No.	Fri Aug 14 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	720.39	+0.5	8.17	6.22	15.65	21.23	716.99	722.52	711.91	849.23
2 Building Materials (23)	755.34	......	7.19	7.33	18.85	26.43	755.24	766.72	745.03	1077.07
3 Contracting, Construction (27)	579.97	-0.8	6.04	10.33	36.04	25.20	584.81	594.39	583.83	1153.61
4 Electricals (9)	2184.12	+3.3	7.53	6.88	17.13	72.04	2114.52	2132.52	2102.84	2402.96
5 Electronics (27)	1896.92	+0.7	8.46	4.54	14.73	45.74	1883.25	1890.65	1875.54	1752.67
6 Engineering-Aerospace (6)	302.06	+0.9	12.06	8.63	10.49	11.27	299.31	301.81	296.63	412.56
7 Engineering-General (43)	434.00	+0.2	9.36	5.55	13.36	12.47	433.17	436.64	428.82	471.50
8 Metals and Metal Forming (7)	271.95	-0.5	6.31	8.10	23.16	7.18	273.18	277.82	275.38	442.54
9 Motors (14)	307.25	+0.7	8.74	7.68	15.06	12.25	305.00	304.70	303.11	355.07
10 Other Industrial Materials (19)	1574.72	+0.6	7.87	5.27	15.31	38.28	1565.26	1572.98	1554.71	1641.99
21 CONSUMER GROUP (191)	1500.42	+0.3	8.15	3.83	15.06	27.61	1496.01	1510.69	1500.45	1537.83
22 Brewers and Distillers (25)	1940.13	+0.8	8.57	3.77	14.07	37.45	1924.94	1940.90	1923.67	1867.98
25 Food Manufacturing (19)	1130.96	......	9.54	4.67	12.96	26.01	1130.88	1146.32	1145.09	1212.87
26 Food Retailing (18)	2641.41	-0.9	9.24	3.45	14.11	44.92	2665.88	2701.82	2689.78	2652.93
27 Health and Household (24)	3792.33	+0.6	7.32	2.82	15.56	42.42	3768.09	3801.49	3763.50	3670.43
29 Hotels and Leisure (18)	997.62	+0.8	8.05	6.86	16.13	36.54	989.81	1010.51	1008.75	1344.81
30 Media (27)	1410.31	......	7.17	3.74	17.36	29.47	1411.01	1410.75	1401.67	1457.43
31 Packaging, Paper & Printing (17)	727.05	-0.1	7.09	4.55	17.10	15.69	727.64	722.06	714.28	751.14
34 Stores (34)	945.22	+0.3	7.99	3.95	16.56	16.98	942.80	954.69	948.71	1004.14
35 Textiles (9)	577.65	+0.1	8.40	5.37	14.83	15.02	576.90	586.48	586.65	610.76
40 OTHER GROUPS (117)	1196.51	+0.2	10.31	5.67	12.10	35.65	1194.53	1198.79	1190.21	1267.98
41 Business Services (17)	1209.98	-1.0	6.95	4.26	17.56	21.09	1222.36	1241.33	1223.57	1378.84
42 Chemicals (22)	1307.63	......	7.51	5.56	16.53	45.57	1307.81	1312.79	1307.06	1437.95
43 Conglomerates (10)	1142.58	-0.1	10.01	9.62	12.80	24.98	1143.59	1151.80	1156.62	1501.11
44 Transport (14)	2223.86	+0.5	8.88	5.31	13.89	55.92	2212.63	2224.40	2219.62	2262.99
45 Electricity (16)	1333.02	+1.1	14.88	5.50	8.51	44.58	1318.59	1303.95	1302.26	1228.61
46 Telephone Networks (4)	1391.03	-0.2	10.87	4.75	11.99	46.15	1393.31	1404.23	1390.27	1512.15
47 Water (11)	2828.52	+0.8	15.84	6.12	6.99	86.85	2805.60	2773.61	2757.28	2400.19
48 Miscellaneous (23)	1921.15	+0.1	6.91	5.26	18.17	54.03	1918.75	1936.81	1898.28	1974.14
49 INDUSTRIAL GROUP (483)	1208.43	+0.3	8.86	4.84	14.04	29.03	1205.01	1213.95	1203.91	1284.19
51 Oil & Gas (17)	1811.11	+0.9	8.36	6.74	15.65	68.79	1795.52	1817.79	1806.96	2431.53
59 500 SHARE INDEX (500)	1267.20	+0.3	8.81	5.03	14.18	32.22	1262.89	1272.88	1262.64	1382.48
61 FINANCIAL GROUP (84)	666.37	+0.2	–	6.63	–	25.18	665.15	671.74	667.90	825.46
62 Banks (9)	898.56	+0.1	7.13	6.13	20.20	36.70	897.98	902.02	894.21	963.24
65 Insurance (Life) (6)	1383.52	+0.9	–	6.44	–	44.26	1370.85	1381.96	1390.82	1594.33
66 Insurance (Composite) (7)	459.00	-0.1	–	6.83	–	13.46	459.37	464.77	462.84	663.12
67 Insurance (Brokers) (10)	621.17	+2.6	12.07	8.82	10.67	31.02	605.56	679.55	677.06	1163.57
68 Merchant Banks (7)	398.08	-0.5	–	5.43	–	12.37	400.14	405.24	406.20	433.73
69 Property (30)	521.49	......	11.52	8.76	11.64	20.85	521.67	524.56	517.76	924.15
70 Other Financial (15)	221.42	-0.2	8.30	7.81	16.30	6.63	221.96	222.35	222.08	253.97
71 Investment Trusts (70)	1051.40	+0.3	–	4.28	–	22.04	1047.88	1053.55	1050.07	1224.56
99 ALL-SHARE INDEX (654)	1122.95	+0.3	–	5.21	–	30.07	1119.35	1128.41	1119.79	1246.94

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 18	Aug 17	Aug 14	Aug 13	Aug 12	Year ago
FT-SE 100 SHARE INDEX‡	2363.5	+8.8	2367.1	2344.9	2354.7	2376.1	2356.8	2318.0	2303.1	2601.9

FIXED INTEREST

PRICE INDICES	Wed Aug 19	Day's change %	Tue Aug 18	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (23)	121.11	-0.06	121.18	1.65	8.49
2 5-15 years (25)	137.40	-0.13	137.58	2.06	8.74
3 Over 15 years (8)	149.13	-0.15	149.88	1.73	8.14
4 Irredeemables (6)	168.42	-0.02	168.45	3.21	7.34
5 All stocks (62)	134.87	-0.11	135.09	1.92	8.73
Index-Linked					
6 Up to 5 years (2)	170.81	-0.06	170.91	0.02	3.25
7 Over 5 years (10)	148.04	-0.14	148.25	0.54	3.33
8 All stocks (12)	150.01	-0.13	150.20	0.47	3.29
9 Debs & Loans (62)	121.06	+0.10	120.93	3.07	6.83

AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 19	Tue Aug 18	Year ago (approx.)
British Government				
1 Low	5 years	8.60	8.57	8.90
2 Coupons	15 years	8.87	8.85	9.72
3 (0%-7¾%)	20 years	8.87	8.85	9.72
4 Medium	5 years	9.43	9.39	10.02
5 Coupons	15 years	9.07	9.05	9.89
6 (8%-10¾%)	20 years	9.00	8.98	9.84
7 High	5 years	9.65	9.62	10.20
8 Coupons	15 years	9.26	9.25	10.01
9 (11%-)	20 years	9.16	9.15	9.92
10 Irredeemables	†	9.13	9.13	9.92
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.27	4.25	3.90
12 Inflation rate 5%	Over 5 yrs.	4.54	4.53	4.36
13 Inflation rate 10%	Up to 5yrs.	3.47	3.45	2.89
14 Inflation rate 10%	Over 5 yrs.	4.35	4.33	4.16
15 Debs &	5 years	10.67	10.70	11.73
16 Loans	15 years	10.39	10.41	11.51
17	25 years	10.26	10.27	11.32

‡Opening index 2352.4; 9 am 2347.5; 10 am 2360.3; 11 am 2363.9; Noon 2362.8; 1 pm 2363.9; 2 pm 2364.3; 2.30 pm 2364.1; 3 pm 2367.0; 4.10 pm 2364.2; (a) 2.57pm (b) 8.43am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

FINANCIAL TIMES STOCK INDICES

	Aug 19	Aug 18	Aug 17	Aug 14	Aug 13	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.54	88.62	88.60	88.47	87.96	85.59	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.10	105.21	105.15	104.74	104.19	94.80	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1765.6	1752.9	1766.2	1753.8	1722.2	1975.9	2149.7 (22/5)	1715.3 (12/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	82.1	81.1	81.6	80.2	81.6	184.4	160.6 (10/1)	80.2 (14/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2363.5	2354.7	2376.1	2356.8	2318.0	2540.5	2737.8 (11/5)	2303.1 (12/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1072.96	1072.68	1081.08	1074.48	1065.09	1116.92	1248.79 (11/5)	1065.09 (13/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord Div Yield	5.10	5.14	5.11	5.14	5.23	4.80				
●Earning Yld % (full)	7.39	7.47	7.47	7.47	7.62	7.96				
●P/E Ratio(Net)(*)	17.08	16.92	17.01	16.92	16.58	15.68				
SEAQ Bargns 5.00pm	15,585	16,876	17,414	18,659	17,071	36,457				
Equity Turnover(£m)†	-	730.1	643.1	820.2	816.9	1177.2				
Equity Bargains†	-	19,107	18,256	21,150	19,073	32,941				
Shares Traded (mil)†	-	313.8	340.3	399.2	366.7	418.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ♢ Nil 15.89

Ordinary Share Index, Hourly changes — Day's High 1769.2 — Day's Low 1748.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1756.6	1751.2	1762.3	1764.5	1768.6	1768.5	1767.0	1768.5	1768.3

FT-SE 100, Hourly changes — Day's High 2367.1 — Day's Low 2344.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2352.4	2347.5	2360.3	2363.9	2362.8	2363.9	2364.3	2367.0	2363.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1074.21 — Day's Low 1071.45

Open	10 30 am	11 am	12 pm	1 pm	2 pm	3 pm
1072.17	1074.19	1072.88	1071.63	1072.49	1072.60	1073.44

GILT EDGED ACTIVITY

Indices*	Aug 18	Aug 17
Gilt Edged Bargains	73.7	80.9
5 – Day average	81.7	84.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2	395		Comm Union	851	472	-1	Lonrho	1,100	81	+5	Shell Transport	1,400	461	+5
ASDA Group	5,800	37	-½	Cookson	496	132	+1	Lucas	2,000	100	+1	Siebe	72	632	+2
Abbey National	1,300	362		Courtaulds	296	467	+2	MB Caradon	867	237	+6	Slough Ests	517	103	-4
Albert Fisher	1,200	33	-½	Dalgety	638	368	-7	MEPC	294	243	+1	Smith (W.H.) A	1,000	391	-14
Allied-Lyons	1,300	600	+2	De La Rue	149	561	-8	Manweb	360	344	+5	Smith & Nephew	1,700	137	-½
Amstrad	724	24½	1½	Dixons	665	203	+2	Marks & Spencer	2,400	297		SmKl Beecham	2,400	456	+1
Anglian Water	748	429	+4	Eastern Elect	2,200	288	+9	Midlands Elect	1,400	331	+11	SmKl Beecham Uts	465	409	
Argos	155	218	+3	East Midland Elect	958	306	+6	NFC	312	235		Smiths Inds	98	275	+2
Argyll Group	3,000	331		Eng China Clays	706	482	+3	NatWest Bank	4,000	328	+1	Southern Elect	2,200	320	+5
Arjo Wiggins	138	220		Enterprise Oil	613	358	+8	National Power	4,000	233	+2	South Wales Elect	711	375	+7
[illegible]															
Berisford Intl	2,200	101½	+1½	Hammerson 'A'	258	215		Reckitt & Colman	726	589	+4	Tomkins	523	438	+4
Blue Circle	2,900	179		Hanson	5,500	191¾	-1¼	Redland	1,200	419	-1	Trafalgar House	783	52	-2½
Booker	12	389	-2	Hanson Warrants	1,000	18¼		Reed Intl	788	459	-9	Unigate	1,800	253	-22
Boots	895	443	+2	Harrisons Crosfield	442	125	+½	Rentokil	454	148	-1	Unilever	650	938	-3
Bowater	320	748	+7	Hillsdown	2,600	107	+2	Reuters	464	1026	+7	United Biscuits	1,200	294	+7
Brit. Aerospace	1,800	204	+4	IMI	17	234	-1	Rolls Royce	1,700	138	+1	Utd. Newspapers	380	378	+1
British Airways	5,500	238	-2½	ICI	466	1111	-1	Rothmans	52	1040	-3	Vodafone	3,600	317	-3
British Gas	3,400	235½	+½	Inchcape	1,600	377	-3	Rvl Bk Scotland	3,300	180		Warburg (SG)	231	406	-3
British Land	111	183	+1	Kingfisher	1,100	450	+5	Royal Insurance	1,000	173	+1	Wellcome	5,200	792	+4
British Steel	4,600	53½	-1	Kwik Save	459	647	+3	Saatchi	50	138	-5	Welsh Water	75	444	+10
Bunzl	705	92	1	Ladbroke	3,000	149	-2	Sainsbury	1,400	438	-2	Wessex Water	331	504	+4
Burmah Castrol	240	564	-4	Land Securities	386	385	+2	Scottish & New	525	438		Whitbread 'A'	421	399	+3
Burton	5,300	32½	+½	Laporte	51	484		Scot. Hydro-Elect	1,100	200	-2	Williams Hldgs	1,000	247	+5
Cable & Wire	714	509	+7	Legal & General	1,000	307	-3	Scottish Power	1,700	183	-1½	Willis Corroon	758	188	+9
Cadbury Schweppes	1,000	449	+12	Lloyds Abbey	987	312	+1	Sears	9,000	66	+½	Wimpey	30	112	
Calor Group	145	173		Lloyds Bank	2,300	402	+7	Sedgwick	4,000	115	+5	Wolseley	74	338	-6
Carlton Comms	1,200	588	+4	LASMO	2,300	148	-½	Seeboard	1,000	317½	+4½	Yorkshire Elect	1,800	384	+10
Coats Viyella	1,400	163	+2	London Elect	3,200	307	+9	Severn Trent Water	604	402	+4	Yorkshire Water	54	456	+7

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

SPECULATION that there would be no rise in UK interest rates gave a further boost to stock index futures, though reports of a French opinion poll indicating reduced support for the Maastricht treaty weakened sentiment a little later in the day, writes Joel Kibazo.

After a weak opening at 2,356, the September contract on the FT-SE moved steadily forward for the first two hours of business as dealers moved to reduce bear positions. The speculation about German Lombard rate, along with strength in the gilts and short sterling markets, helped to boost the contract further.

Following the strong morning rise, the September future traded in a narrow range of 2,378 and 2,382 for the rest of the session, with the news from Paris only causing a slight dip in mid-afternoon.

September closed at 2,379, up 16 from Tuesday's close and around 4 points above its estimated fair value premium to cash of about 12. Turnover remained dull, reaching a mere 6,915 contracts.

In traded options, turnover was poor in spite of the expiry of the August stock options. Volume reached 29,204, with the FT-SE 100 option on 7,515 lots. Hanson was the top stock option on 3,055 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

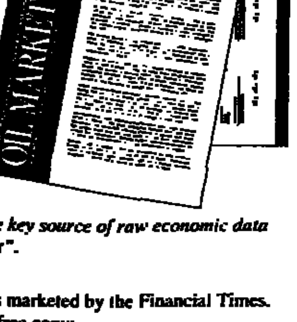
[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]



LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16¹⁄₁₆xd	+¹⁄₁₆	19⅛	14⅝	13,027	2.0
♥Allegheny & W.	317p	+13	330p	225p	164.7	5.0
Amdahl	709p	+18	1188p	682p	784.3	0.7
Amer Cyanamid	31½	+⅛	37	28⅝	2,878	2.7
Amer Express	11½xd	-⅛	13⅞	10[illegible]	5,462	4.6
Amer T & T	22⅝xd	-⅛	24⅞	20⅛	29,877	3.1
Amgentech	36½	+⅛	36[illegible]	32½	15,951	5.0
BankAmerica	23¹⁄₁₆xd	-[illegible]	27⅛	19¹⁄₁₆	7,918	3.0
Bankers NY	32⅝xd	—	37⅛	28⅞	2,784	4.1
Bell Atlantic	25⅝	—	26⅛	23⅛	11,881	5.3
BellSouth	28½	—	29⅛	25	13,938	5.1
♥Bethlehem Steel	6½xd	-⅛	9⅝	6⅛	678.2	—
Bowater	1024pxd	-11	1579p	1016p	369.2	6.1
CPC h	26¹⁄₁₆xd	-⅛	28⅛	22⅛	3,947	2.4
♥Cadiz Land Inc	128p	-20	342p	128p	—	—
Campbell Soup	19⅝xd	—	23[illegible]	17⅞	4,929	2.1
Chase Manhattan	12½xd	-⅛	16½	9⅛	1,757	5.0
Chrysler	11xd	—	11½	6⅛	3,213	2.9
Citicorp	9⅛xd	-[illegible]	11⅛	5⅞	3,244	—
Colgate-Palm	28⅞xd	+½	29¹⁄₁₆	25⅛	4,598	2.2
Cont'l Bank	567p	-12	1036p	499p	918.5	3.5
Dana	20⅛xd	-⅛	24½	14[illegible]	918.8	4.2
Data General	429p	—	1084p	368p	115.9	—
Dun & Brad	29	—	33½	27⅞	5,174	4.1
Eaton	40½	-⅛	46½	32½	1,382	2.8
Echlin	9⅛xd	-[illegible]	11	7⅛	321.3	4.0
FPL	19½xd	+¹⁄₁₆	20	18⅛	3,478	6.6
Fluor	20⅛	+⅛	27	19⅛	1,682	1.0
Ford Motor	21⅝xd	—	28⅞	15	10,499	2.4
Gen Elec	39⅛xd	+[illegible]	40⅛	36⅞	34,348	3.1

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Notes	Price	+ or -	1992 High	low	Mkt Cap£m	Yld Gr's
Diamond and Platinum						
Anglo Am Inv.	£11	-1⅛	£21½	£11	1,108	6.9
De Beers Lkd Uts. ‡	£8 1/16	+1/16	£16⅝	£8	3,068	‡
40pc Pf	275	-12	325	275	2.20	14.6
Impala Plat.	571	—	820	571	349.2	5.8
Lydenburg	675	-35	882	675	106.8	3.9
Northam Plat.	278	+1	432	274	180.7	—
Rustenburg	£9¼	—	£13⅛	£9¼	1,158	4.8
Central African						
Falcon ZS	18	—	35	16	3.59	23.4
Wankie Col ZS	12	—	17	10	3.84	13.1
Willoughby's	55	—	80	45	2.81	4.9
Pfd	21	—	48	19	1.35	13.4
Zambia Cpr SBD	46	+2	51	16	58.4	—
Finance						
Ang Am Coal R	£12	+¼	£22⅞	£11¼	302.3	7.3
Anglo Amer R	£14	+⅛	£22¾	£13⅞	3,249	4.8
Ang Am Gold R	£25¼	—	£41⅛	£25¼	609.7	7.5
■◆Anglo Pac Res	9	—	13½	9	6.09	—
Anglovaal R. †	£10¼	—	£14¼	£9¾	442.8	1.7
Antofagasta	633	—	680	503	188.5	3.0
5pc Pf	53	—	56	49	1.86	9.8
■Cluff Res	16½	—	30	15	12.0	8.1
Genbel R	75	—	115	65	324.2	8.9
Gencor R. †	154	+7	222	143	2,119	5.3
Gold Fields SA R	880	-13	1491	800	770.3	4.8
Jo'burg Cons R. †	675	—	1025	675	896.8	3.7
Middle Wit R	90	-15	165	90	280.5	1.3
Minorco S †	634	+8	862	626	1,886	4.3
Monarch Res	74	—	98	50	10.6	—
New Wits R	110	—	210	100	33.7	9.4
OFS Invs R	855	+20	1201	826	192.5	14.4
Rand Mines R	£7½	—	£12⅞	£7½	111.8	7.6
Rand Mine Props R. ‡	105	—	230	95	13.8	‡
Vogels ‡	78	—	95	70	12.9	‡
Waverley s	15	—	25	15	1.88	—
Welkom R	223	+3	324	218	78.8	13.4
Australians						
♥Aztec Expln Z	31	—	37	30	—	1.3
♥CRA ‡	483	+2	631	469	2,865	‡
♥Centenary Intl	2	—	5¼	2	0.88	—
♥Central Pacific	26	+1	70	25	—	—
♥Croesus	4½	—	6½	3	—	—
♥Delta Gold	42	—	60	42	51.3	—
Devex	28½	+½	41	28	35.3	1.9
♥Dominion	16½	-½	27½	16	64.8	11.1
♥Dragon Res	3½	—	6½	2¾	0.76	—
♥Emperor	23	-2	38	22	11.4	—
♥Equatorial Gold	8	—	15	8	4.80	—
♥Forsayth	7½	+½	8	4½	—	—
♥GM Kalgoorlie	33½	+1	37	29½	150.8	1.2
♥Gwalia Cons	43	-1	53	34	25.6	1.8
♥Helix Resources	13½	-2	28	13½	2.58	—
♥Indon Diamond	16	+1	50	15	0.81	—
♥Julia	4½	—	16½	4	4.48	—
♥Kidston Gold	61	—	73	54	76.3	17.9
♥Meekatharra	16	-1	35	16	5.98	—
♥Metana Mnls	25	—	36	23	10.0	—
♥MIM ‡	103	-½	128	90½	1,432	‡
♥Molopo	2	—	8½	2	0.60	—
♥Montague Gold	5	—	19	5	5.61	—
♥Mount Burgess	11	—	13	7½	3.88	—
Mount Martin Z	12	—	21	12	7.20	10.0
♥Niugini Mining	99	-1	147	97	81.6	—
♥Normandy Posdn	39	-1	56	39	—	—
♥NB Hill Peko	75	—	111	72	484.8	6.7
♥Pancontinental g	33	-2	47	33	73.3	4.7
♥Paragon Res	0½	—	2½	0½	2.34	—
♥Pasminco	52	-1	68	51½	374.4	—
♥Placer Pacific	100	+1	131	97	822.2	—
♥PosGold	50	-½	82	42½	189.3	3.9
♥Precious Metals	13	—	25	12	—	—
♥Renison	183	—	221	183	363.5	7.6
♥Resolute Resources	9½	—	13½	9½	9.97	—
♥St Barbara	10	—	22	8½	—	—
♥Samson Expl	1	—	1¾	0½	0.78	—
♥Sipa Resources	9	—	17	7½	3.82	—
♥Sons Gwalia	171	+3	193	137	57.1	12.0
♥Southern Pacific	10½	-½	26	10½	29.2	—
♥Spargos	1	—	2½	1	2.18	—
Westn Mining ‡	177	—	225	174	1,694	‡
♥Westralian Res ◆	4½	—	8	4	0.77	—
Tins						
♥Ayer Hitam MS	34	—	34	25	3.11	11.2
Gopeng MS	77	—	91	77	12.3	1.4
Malaysia Mine MS	29	-5	44	29	121.2	9.0
Petaling MS	165	—	170	130	16.6	1.3
Miscellaneous						
Anglesey	4½	—	25	3	0.86	—
††Andaman Res I£	27	—	42	25	1.26	—
Anglo-Dominion	5	—	5	3	—	—
■††Burmin Expl I£	5½	—	10½	5½	1.02	—
■Butte	2½	—	4½	1¾	5.89	—
♥Caledonia Min	11	—	29⅛	11	1.17	—
♥Cape Range	12½	—	18½	11	14.8	—
Cons Murch R	18xd	—	25	15	1.12	15.8
■◆Ennex Intl I£	5¼	—	7½	4¼	4.41	—
Europa Mnls	8	—	52½	8	3.86	—
††Feltrim I£	3½#	—	4⅝	1⅞	0.39	—
Geevor	4¾#	—	5	4½	1.62	—
††Glencar Expl I£	7	—	16	6	1.29	—
■Greenwich Res	4	—	11	4	2.94	—
Hemlo Gold C$	£4	—	£5 13/16	£3¾	305.6	2.3
Homestake $	£6⅝	+⅛	£9 5/16	£6¼	794.5	1.8
■††Ivernia West I£	33	+1	53	32	18.6	—
■††Kells Mnls I£	18	—	42	14	0.43	—
■◆Kenmare	2¼	—	6½	2¼	2.16	—
Melinga Res	18½	-1½	48	18½	1.82	—
††Navan Res I£	23½	—	28	16	3.15	—
North West Expl A$	3	—	6	2	1.01	—
Oryx Gold $	56	—	103	51	—	—
Plateau	38	—	13	3	1.37	—
■RTZ	533	+6	658	469	5,340	4.9
◆Vizcaya	1¼	—	3	1	0.94	—
♥Western & Pac C$	18½	+1	85	7	9.65	—
◆Young Grp ‡	14	-1	110	4	2.11	‡

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◇ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- \# Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other offical estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; ([illegible]) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

[illegible] available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Equitable Life Assurance Society
Walton St, Aylesbury Bucks HP21 7QW. 0296 393100

	Bid Price	Offer Price	+ or -	Yield Gross
European	116.6	122.7	-0.3	-
Far Eastern	271.4	285.7	+1.3	-
Fd of Inv Tsts	218.5	230.0	+0.2	-
Gilt & Fixed Int	178.5	187.9	-0.1	-
High Income	248.2	261.3	+0.3	-
Intnl Growth	138.2	145.5	-0.4	-
Managed	177.1	186.4		-
Money	165.6	174.3		-
North American	163.1	171.7		-
Pelican	204.3	215.0		-
Property	173.2	182.3		-
Smaller Companies	113.1	119.0	+0.1	-
Special Sits	166.9	175.7	-0.2	-
Pension Funds				
European	108.3	114.0	-0.5	-
Far Eastern	295.3	310.8	+1.8	-
Fd of Inv. Tsts	237.9	250.4	+0.2	-
Gilt & Fixed Int	190.2	200.2	+0.3	-
High Income	284.4	299.4	+0.5	-
International Growth	135.7	142.8	-0.6	-
Managed	194.5	204.7		-
Money	216.2	227.6		-
North American	163.1	171.7		-
Pelican	217.4	228.8		-
Property	185.8	195.6		-
Smaller Companies	116.0	122.1	+0.2	-
Special Sit	164.3	172.9	-0.3	-

Equity & Law
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	695.1	731.6		-
Higher Income Ser 5	686.6	722.7	-1.0	-
Property Ser 5	469.3	494.0		-
Fixed Interest Ser 5	343.0	361.0	-0.2	-
Index Lnkd Secs Ser 5	148.1	155.8	-0.1	-
Gtd Deposit Ser 5	270.4	284.6		-
Nth America Ser 5	312.6	329.0	-0.1	-
Far East Ser 5	295.6	311.1	+1.8	-
Europe Ser 5	260.3	273.9	-1.5	-
International Ser 5	369.0	388.4	-0.1	-
Balanced Ser 5	506.8	533.4	-0.1	-
Reserve Ser 5	126.0	132.6		-
Opportunity Ser 5	94.5	99.4	-0.1	-
Pens Equity Ser 2 (z)	918.6	966.9	+0.4	-
Pens Higher Inc S 2 (z)	199.8	210.3	+0.1	-
Pens Fixed Int S 2 (z)	449.6	473.2	+0.8	-
Pen Inter-Lnkd Se S 2 (z)	185.8	195.5		-
Pens Property S 2 (z)	411.2	432.8		-

Henderson Administration(z)
3 Finsbury Ave London EC2M 2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	290.1	308.7	-1.0	-
Fixed Interest	65.5	69.7	-0.5	-
N America	240.0	255.4	-0.7	-
Far East	301.5	320.8	-6.7	-
Global Managed	297.7	316.8	-2.5	-
Deposit	210.5	221.6		-
Prime Res	132.6	139.6		-
European	177.9	189.3	-1.0	-
Pension Funds				
UK Equity	318.7	339.1	+0.2	-
Fixed Interest	233.0	247.0	-1.3	-
Special Sits	236.4	251.5	-1.1	-
N American	154.3	164.2	-0.3	-
Far East	236.0	251.1	-5.0	-
Managed	272.8	290.3	-0.9	-
Deposit	256.7	270.3		-
European Pension Fund	205.2	218.4	-1.2	-

Hill Samuel Life Assur. Ltd
NLA Tower, Addiscombe Rd Croydon 081-686 4355

	Bid Price	Offer Price	+ or -	Yield Gross
Security Fund	354.9	375.6	-0.1	-
British Fund	380.0	402.2	+0.6	-
International Fund	340.1	359.9		-
Dollar Fund	250.3	264.9	+0.3	-
Capital Fund	331.3	350.6	+0.4	-
Income Fund	469.0	496.3	-0.9	-
Property Series A	386.0	408.5		-
Property Series S	623.0	654.2		-
Financial Fund	329.2	348.4	-1.3	-
Managed Series A	394.6	417.6	+0.4	-
Managed Series C	232.6	246.2		-
Managed Series S	702.6	739.6	+0.8	-
High Yield Fund	425.6	450.4	-1.3	-
Money Series A	262.3	277.6	+0.1	-
Money Units	344.4	362.6	+0.1	-
Equity Fund	430.9	456.0	+0.6	-
Fixed Intl Fund	305.9	323.8	-0.3	-
Indexed Sec Fd	145.0	153.5		-
European Fund	498.4	527.5	-2.1	-
Natural Resrs Fd	185.8	196.7	+0.1	-
Far East Fund	308.7	326.7		-
Smaller Cos	294.2	311.4	-0.3	-
Spec Sits Fund	307.4	325.3	-1.0	-
Mangd Crncy Fund	226.1	239.3	+0.1	-
Japan Tech	135.0	142.9		-
Global Bond Fund	142.9	151.3	+0.1	-
US Smaller Co's	139.4	147.6	+0.2	-
Pension Fund Prices				
Property Acc	595.6	627.0		-
Property Ser A	291.5	306.9		-
Property Ser B	187.7	197.6		-
Managed Acc	967.6	1018.6	+1.2	-
Managed Cap	557.4	586.8	+0.6	-
Managed Ser A	241.7	254.5	+0.3	-
Managed Ser B	113.8	119.8	+0.1	-
Managed Ser C	183.3	193.0	+0.2	-
Guaranteed Acc	498.7	525.0		-
Guaranteed Ser A	216.8	228.3		-
Guaranteed Ser B	125.0	131.6		-
Equity Acc	736.7	775.5	+1.0	-

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000

	Bid Price	Offer Price	+ or -	Yield Gross
LAS Investment Assurance				
Managed Fund	247.5	260.6	-0.2	-
UK Equity	415.9	437.8	-0.8	-
Property	279.3	294.0		-
Money Market	232.1	244.4		-
Fixed Interest	270.7	285.0	-0.3	-
Japan	201.8	212.5	+1.5	-
North America	116.3	122.5	-0.1	-
International	191.6	201.7	+0.2	-
European	185.1	194.9	+0.2	-
Far East	70.9	74.7	+0.4	-
Pension Funds				
Managed	170.9	179.9	-0.1	-
International	142.0	149.5	+0.1	-
Property	219.6	231.2	+0.1	-
Money Market	227.1	239.1		-
Fixed Interest	228.7	240.8	-0.1	-
UK Equity	282.5	297.4	-0.5	-
North America	117.4	123.6		-
Japan	109.4	115.2	+0.8	-
European	206.9	218.0	+0.2	-
Far East	58.7	61.8	+0.4	-

Lifetime Assurance Co Ltd
Bank Hse St John's Rd, Harrow HA1 2EE 081-861 5999

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Security	115.9	122.0		-
Managed Growth	121.3	127.7		-
Managed Opportunity	107.7	113.4		-
Property	117.6	123.8		-
Fixed Interest	125.4	132.1		-
Cash	117.9	124.2		-
UK Equity	99.4	104.7		-
Intl Equity	118.1	124.4		-
Pension Funds				
Managed Security	118.7	125.0		-
Managed Growth	117.0	123.2		-
Managed Opportunity	102.9	108.4		-
Property	121.1	127.5		-
Fixed Interest	135.1	142.3		-
Cash	120.9	127.3		-
UK Equity	112.0	117.9		-
Intl Equity	112.9	118.9		-

London Indemnity & Gnl. Ins. Co Ltd
18-20 The Forbury, Reading 583511

	Bid Price	Offer Price	+ or -	Yield Gross
Money Mgmt Aug 15	154.1	165.0	-4.6	-
MM Flexible Aug 1	127.5	137.2		-

London Life
100 Temple St, Bristol BS1 6EA 0272-279179

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Equity		652.5		-
Fixed Interest		331.6		-
Property		362.8		-
Deposit		266.0		-
Mixed		430.3		-
Index Stock		169.4		-
International		188.1		-
Equity (A)		152.0		-
Fixed Interest (A)		147.7		-
Property (A)		160.0		-
Deposit (A)		156.9		-
Mixed (A)		141.9		-
Index Stock (A)		133.1		-

NEL Britannia Assce Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Specialist Funds				
Barings Convertibles	101.1	106.4	+0.1	-
Barings Eastern	108.4	114.1	-1.3	-
Barings Equity Income	86.1	90.6	-0.2	-
Barings Europe Growth	104.3	109.8	-0.9	-
Barings German Growth	94.4	99.4	-0.8	-
Barings Japan Growth	70.2	73.9	-1.1	-
Barings UK Smllr Cos	81.8	86.1	-0.1	-
Fidelity 1992 Euro Opps	97.9	103.1	+0.6	-
Fidelity American	110.2	116.0	-0.4	-
Fidelity Amer Sp Sits	120.2	126.5	-1.4	-
Fidelity Asian	108.6	114.3	-1.3	-
Fidelity European	87.5	92.1	-0.5	-
Fidelity Euro Inc	97.2	102.3	-0.2	-
Fidelity Famous Names	105.6	111.2	+0.5	-
Fidelity Gilt & Fxd Int	112.4	118.3	+0.1	-
Fidelity Global Convs	103.1	108.5	-0.2	-
Fidelity Grwth & Inc	96.6	101.7	-0.8	-
Fidelity Income Plus	87.5	92.1	+0.2	-
Fidelity Intl Bond	101.8	107.2	-0.3	-
Fidelity Japan	65.0	68.4	-1.9	-
Fidelity Japan Sm Cos	60.4	63.6	-1.1	-
Fidelity Japan Sp Sits	62.1	65.4	-1.7	-
Fidelity Recovery	93.1	98.0	-0.2	-
Fidelity S E Asia	116.0	122.1	-0.8	-
Fidelity Special Sits	89.3	94.0	+0.2	-
Gartmore Am Emer Grth	115.9	122.0	-0.4	-
Gartmore British Growth	107.1	112.7	+0.2	-
Gartmore Euro Sel Opps	86.2	90.7	-0.5	-
Gartmore Frontier Mkts	102.2	107.6	-0.7	-
Gartmore Hong Kong	155.7	163.9	-0.5	-
Gart Int Fxd Int	103.9	109.4	-0.2	-
Gartmore Japan	66.0	69.5	-1.7	-
Gartmore Pacific Grth	118.7	124.9	-0.8	-
Henderson Australian	92.3	97.2	-0.4	-
Henderson Best of British	95.9	100.9		-
Henderson European	93.5	98.4	-0.8	-
Henderson Global Inc & Gth	93.2	98.1	-0.5	-
Henderson High Income	83.4	87.8	-0.2	-
Henderson Inc & Growth	94.6	99.6	+0.2	-
Henderson Japan	61.6	64.8	-1.9	-
Henderson North Amer	110.5	116.3	-0.2	-
Henderson Pac Sm Cos	81.2	85.5	-1.5	-
Henderson Spec Sits	97.8	102.9	+0.7	-
Henderson Sons of the East	88.3	92.9	-1.7	-
INVESCO Euro Perf	98.4	103.6	+0.9	-
INVESCO Euro Sm Cos	92.2	97.1	+0.4	-
INVESCO French Gwth	117.3	123.5	-2.1	-
INVESCO Gilt	104.2	109.7	+0.8	-
INVESCO Gt Br Cos	106.4	112.0	+1.4	-
INVESCO Brit Inc & Gth	97.0	102.1	+2.1	-
INVESCO Japan Perf	55.0	57.9	-1.1	-
INVESCO Jap Sm Cos	65.1	68.5	-1.4	-
INVESCO S'pore ASEAN	94.6	99.6	-2.7	-
INVESCO SE Asia Gth	115.2	121.3	-3.4	-
INVESCO UK Gwth	106.5	112.1	+2.0	-
INVESCO Nippon Wrnt	12.7	13.4		-
Perpetual American Grth	124.1	130.6	-1.2	-
Perpetual Asian Sm Mkts	118.9	125.2	-2.9	-
Perpetual European Gwth	91.2	96.0	-0.7	-
Perpetual Far East Gwth	96.9	102.0	-2.1	-
Perpetual High Income	105.8	111.4	-1.2	-
Perpetual Income	92.4	97.3	-1.2	-
Perpetual Japan Growth	68.9	72.5	-2.2	-
Perpetual UK Growth	100.3	105.6	-0.8	-
Perpetual W'wide Recovery	96.0	101.1	-1.2	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	136.1	143 2		-
Property Acc. (Gross)	259 2	272 9	+0 1	-
Equity (Gross)	808 2	850 8	-1 7	-
Managed (Gross)	575 7	606 0	-1 3	-
Property Acc. (Net)	123 8	130 3		-
Equity (Net)	188 8	198 7	-0 4	-
Adventurous Managed	87 4	92 0	-0 1	-
Managed (Net)	177 9	187 3	-0 4	-
Cautious Managed	96.1	101 2	+0 1	-
International (Net)	149 2	157.1	+0 4	-
Gilt & Fixed Interest	142 0	149 5		-
Money Fund	141.1	148 5	-	-
Mixed Fund (Cap)	108 7	114 5		-
Mixed Fund (Acc)	113.3	119 3		-

Pearl Assurance (Unit Linked Pens) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Ret Man (Series 1)	622.0	654 8	0 7	-
Ret. Man (Series 2)	210 9	222.1	-0 2	-
Ret Cash	199 7	210 2	+0 1	-
Pens Mixed Fd (Cap)	119 0	125 3		-
Pens Mixed Fd (Acc)	124 1	130 7		-
Pens Stlg Fd (Cap)	104 4	109 9		-
Pens Stlg Fd (Acc)	108 8	114.6	...	-

Premium Life Assurance Co Ltd

37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	122.0	129 0	+1 0	-
Building Soc Fd	225 0	237 0	+1 0	-
Balanced	251.0	265 0	-1.0	-
European	198.0	209.0	....	-
GT Managed	172.0	182 0	.	-
Gartmore Mngd	115 0	122 0	...	-
German	124 0	131 0	---	-
Gilt	168 0	177.0	. . ..	-
Global	35 0	37.0	..	-
International Equity	180 0	190 0	-	-
Japan	128 0	135 0		-
Leisure	47 0	50 0	-1 0	-
Managed	40 0	43 0	..	-
Property	300 0	316 0		-
UK Equity	228.0	240 0	-2.0	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American	237 0	250 0	+1.0	-
Building Soc. Fd.	242 0	255.0	-	-
Balanced	211.0	223 0	..	-
European	218.0	230 0	..	-
German	123 0	130.0	-	-
Gilt	161.0	170 0	.	-
Global	34 0	36 0	..	-
International Equity	164 0	173 0	-	-
Japan	77 0	82.0		-

Provident Mutual Life Assc. Assn. —Contd.

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	438 3	461.4	-0.2	-
Managed Init	318.4	335.2	-0 1	-
Equity Ord	668 4	703.6	-0 4	-
Equity Init	485 5	511 1	-0.3	-
Pen Ind Lkd Gilt Ord	184 9	194 6	-0.1	-
Pen Ind Lkd Gilt Init	140 3	147 7	-0.1	-
Overseas Equity Ord	269 0	283 2	+0.1	-
Overseas Equity Init	195 4	205 7	+0 1	-
Property Ord	281 7	296 5	+0 1	-
Property Init	204 6	215.4		-
Fixed Interest Ord	293 0	308 4	-0 3	-
Fixed Interest Init	212 9	224 1	-0 2	-
Deposit Ord	272.2	286 5	+0.1	-
Deposit Init	197 7	208 1	. .	-

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prufund

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aug 19	241 7	251 8	+2.3	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

Prudential Managed Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 12	£172.23	177 68	..	-
Equity Aug 12	£195 11	201 77	-	-
International Aug 12	£24 58	25 25	...	-
Intl Bond Aug 12	£14 29	14 46	----	-
Fixed Int Aug 12	£105 37	106 38	-	-
Index Linked Aug 12	£75.61	76 56	-	-
Property Aug 12	£110 17	116.23	.. ...	-
Cash Aug 12	£31.1557	31.1557		-

Pru-Linked Retirement Plan

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aug 11	412 5	429 7		-
Cash Aug 11	286 0	297 9	.....	-

Prudential Pensions Investment Account

	Bid Price	Offer Price	+ or -	Yield Gross
Pens Mixed Aug 20	167 8	180.2	+0.2	-
Pens UK Eq Aug 20	294 4	317.3	----	-
Pens Intl Aug 20	177 5	190.4	+0.8	-
Pens Global Eqy Aug 20	92.3	97 2	+0.1	-
Pens Fixed Aug 20	241 1	254.5	-0.1	-
Pens Index Lk Aug 20	192 4	203 2	-0.1	-
Pens Property Aug 20	89 9	94 7	----	-
Pens Cash Aug 20	186 8	196 8	-	-

Money Purchase Plan

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 19	92 9	99.7	-0.6	-
Equity Aug 19	96 6	103 8	-0.9	-
International Aug 19	78 1	83 4	-0.6	-
Global Equity Aug 19	90 7	97.4	-0 7	-
Intl Bond Aug 19	96.5	101.4	-0.1	-
Fixed Interest Aug 19	112 1	117 8	+0.1	-
Index Linked Aug 19	101 8	107 2	-0 2	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	446.6	446.6	479.1	+0.23	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 662020						
LJ International	5¼	84.79	84.79	91.16	+0.01	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	96.72	96.72	103.21	-0.28	4.4
Merc Intl Bond	5	50.98	50.98	53.60	+0.12	8.4
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Sterling High Income	6	[illegible]	1.0608	1.1150	[illegible]	9.07
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	122.30	130.33	[illegible]	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.71		-0.07	–
Appleton Financial Advisors Ltd				
Appleton Capital Trust	194.0	100.0	–	–
CMI Fund Mngrs (1988)				
Traders Fund Ltd	516.87	18.24	-0.10	–
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
[illegible]	0.61	0.65		0.00
[illegible]	51.17	1.30	+0.18	0.00
[illegible]	103	105	+0.02	2.62
Duncan Lawrie Inv. Mgt. Ltd				

Equitilink International Mngt Ltd

First Aust Prime Inc Inv Co Ltd NAV Aug 13 C$12.54xd

First Aust Prime Inc Inv Co Ltd NAV Aug 13 US$10.52xd

NAV Diluted to reflect exercise of all Wrts C$12.34xd US$10.36xd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Commercial Union Luxembourg SA—Contd.

Crédit Suisse

DB Investment Management SA

Midland Internatnl Circuit Fund SICAV(u)

Eureca Management S.A.

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

EurOptec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asian Convertibles & Income Fd (Cayman)

Global Asset Management

North Star Fund Managers—Contd.

Northfield International Ltd

Odey Asset Management Limited

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar on brink of all-time low

THE DOLLAR fell to within a pfennig of its historic low against the D-Mark yesterday, in spite of a decline in short term rates in the German money market, *writes James Blitz.*

The Bundesbank eased pressure on both the dollar and high-yielding European currencies by adding a generous amount of liquidity in its weekly money market intervention. The addition of a net DM4.2bn softened call money rates to around 9.70 per cent after they had touched the Lombard rate level of 9.75 per cent. Dealers believe there is no technical excuse for the Bundesbank council to raise the Lombard rate when it meets today.

The German operation did not lift the dollar for long, however. After rallying to DM1.4605 in Europe, it weakened to DM1.4520, less than a pfennig above the all-time low of DM1.4430 set in February 1991. The US currency finished in Europe at DM1.4530 (against a previous DM1.4580). In New York it ended at DM1.4534.

There is a growing belief that the Federal Reserve will let the dollar fall below the historic low before it intervenes again. Mr Mark Austin, chief economist at HongKong & Shanghai Banking in London, said intervention can only work when the market is surprised. "The Fed will intervene when it is sure that the market is not expecting it to do so."

There is lingering uncertainty over how much the Bundesbank is prepared to help. Yesterday's intervention will make it more difficult for the German central bank to sell D-Marks in the open market. A measure of the Bundesbank's capacity will be the July M3 money supply figure, due out today or tomorrow.

The D-Mark's strength against the dollar was enhanced by the Bank of Portugal's 1 percentage point cut in its intervention rate to 16 per cent. Instead of heading for the escudo's high-yielding counterparts, the lira and peseta, investors opted for the D-Mark as a safe haven.

The escudo dived in early European trading, ending at Es86.90 to the D-Mark from a previous Es85.84. The Portuguese currency also lost its lead in the EMS grid, slipping to third place behind the Spanish peseta and Belgian franc.

Sterling looked increasingly weak at the foot of the grid, closing unchanged at DM2.8125 but widening the divergence from its central rate against the Ecu to 73 percentage points. Some dealers say that EMS central banks have a "moral obligation" to support their currencies in open intervention when the divergence reaches 75 percentage points – although this is not a fixed rule. If the dollar goes through its all-time low, the pound could and Bank of England intervention will become a pressing issue.

£ IN NEW YORK

Aug. 19	Close	Previous Close
£ Spot	1.9345-1.9355	1.9305-1.9315
1 month	1.09-1.07pm	1.12-1.10pm
3 months	3.33-3.30pm	3.25-3.22pm
12 months	12.05-11.95pm	12.0-11.9pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug. 19	Previous
8.30 am	91.8	91.9
9.00 am	91.8	91.9
10.00 am	91.8	91.9
11.00 am	91.8	91.9
Noon	91.8	91.9
1.00 pm	91.8	91.9
2.00 pm	91.8	91.9
3.00 pm	91.8	91.9
4.00 pm	91.9	91.9

CURRENCY MOVEMENTS

Aug 19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	-20.6
U.S Dollar	60.0	-18.6
Canadian Dollar	97.8	-3.4
Austrian Schilling	111.6	+13.3
Belgian Franc	113.6	-0.5
Danish Krone	111.7	+5.5
D-Mark	121.9	+27.6
Swiss Franc	110.2	+17.7
Dutch Guilder	116.7	+17.9
French Franc	106.2	-10.7
Lira	100.0	-19.2
Yen	137.2	+74.3
Peseta	108.2	-17.8

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100). **Rates are for Aug.18

CURRENCY RATES

Aug 19	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.752143	0.723349
U.S Dollar	3.00	1.45329	1.39476
Canadian $	5.50	1.73988	1.67092
Austrian Sch	7.50	14.9093	14.3130
Belgian Franc	8.50	43.7259	41.8847
Danish Krone	9.50	8.18493	7.85251
D-Mark	8.75	2.11861	2.03370
Dutch Guilder	8.50	2.39226	2.29243
French Franc	10¼	7.19887	6.90267
Italian Lira	13.75	1608.90	1544.56
Japanese Yen	3.25	182.897	176.326
Norway Krone	–	8.36950	8.02755
Spanish Peseta	–	136.101	130.665
Swedish Krona	10.00	7.72860	7.41455
Swiss Franc	7.00	1.90483	1.82714
Greek Drach	19	N/A	251.434
Irish Punt	–	N/A	0.765847

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug.18

OTHER CURRENCIES

Aug 19	£	$
Argentina	1.9110 - 1.9140	0.9900 - 0.9910
Australia	2.6585 - 2.6605	1.3795 - 1.3805
Brazil	9087.80 - 9093.15	4709.20 - 4709.50
Finland	7.7205 - 7.7340	4.0080 - 4.0110
Greece	344.400 - 349.900	178.560 - 181.440
Hong Kong	14.8920 - 14.9055	7.7325 - 7.7335
Iran	2757.00*	1435.00*
Korea(Sth)	1513.80 - 1538.20	788.40 - 794.60
Kuwait	0.56700 - 0.56800	0.29380 - 0.29410
Luxembourg	57.90 - 58.00	29.90 - 30.00
Malaysia	4.8090 - 4.8210	2.4990 - 2.5000
Mexico	5791.50 - 5804.15	3084.50 - 3085.50
N Zealand	3.5680 - 3.5725	1.8510 - 1.8535
Saudi Ar	7.1880 - 7.2650	3.7495 - 3.7505
Singapore	3.0990 - 3.1065	1.6085 - 1.6095
S Af (Cm)	5.3405 - 5.3530	2.7665 - 2.7685
S Af (Fn)	7.2465 - 7.2870	3.7595 - 3.7805
Taiwan	48.45 - 48.65	25.15 - 25.25
U.A.E.	7.0385 - 7.1155	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.35 $63.25

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.665	-2.22	6.15	37
Belgian Franc	42.4032	41.8847	-1.22	5.08	39
D-Mark	2.05586	2.03370	-1.08	4.93	42
Dutch Guilder	2.31643	2.29243	-1.04	4.88	30
Portuguese Escudo	178.735	177.637	-0.61	4.44	9
Irish Punt	0.767417	0.765847	-0.20	4.01	-10
French Franc	6.89509	6.90267	0.11	3.68	-29
Danish Krone	7.84195	7.85251	0.13	3.66	-25
Italian Lira	1538.24	1544.56	0.41	3.37	-41
Sterling	0.696904	0.723349	3.79	0.00	-74

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9270 - 1.9360	1.9345 - 1.9355	1.08-1.06cpm	6.64	3.31-3.28pm	6.81
Canada	2.3100 - 2.3170	2.3155 - 2.3165	0.95-0.90cpm	4.79	3.08-3.02pm	5.27
Netherlands	3.1625 - 3.1750	3.1625 - 3.1725	par-¼cdis	-0.24	¼-parpm	0.16
Belgium	57.80 - 58.00	57.90 - 58.00	2-parcpm	0.21	9-parpm	0.31
Denmark	10.8300 - 10.8875	10.8500 - 10.8600	1¼-1½oredis	-1.45	3¼-3¾dis	-1.29
Ireland	1.0590 - 1.0620	1.0600 - 1.0610	0.07-0.03ppm	0.57	0.14-0.08pm	0.41
Germany	2.8100 - 2.8175	2.8100 - 2.8150	par-¼pfdis	-0.27	¼-parpm	0.09
Portugal	241.10 - 244.80	243.75 - 244.25	15-60cdis	-1.84	140-275dis	-3.40
Spain	180.35 - 181.00	180.35 - 180.65	45-55cdis	-3.32	145-160dis	-3.38
Italy	2133.75 - 2138.00	2135.25 - 2136.25	9-11liredis	-5.62	27-29dis	-5.24
Norway	11.0825 - 11.1300	11.1125 - 11.1225	¾-1¾oredis	-1.35	1¼-3¼dis	-0.88
France	9.5375 - 9.5750	9.5450 - 9.5550	¼-½cdis	-0.39	⅛-¾dis	-0.31
Sweden	10.2450 - 10.2800	10.2550 - 10.2650	2¾-3oredis	-3.14	6¾-8dis	-2.90
Japan	243.50 - 245.00	244.00 - 245.00	1¼-1⅛ypm	5.83	4-3¾pm	6.44
Austria	19.75 - 19.85	19.81 - 19.84	1-½gropm	0.49	2¼-¼pm	0.30
Switzerland	2.5150 - 2.5300	2.5150 - 2.5250	½-¼cpm	1.49	1¼-1pm	1.69
Ecu	1.3825 - 1.3865	1.3835 - 1.3845	0.10-0.15cdis	-1.08	0.30-0.37dis	-0.97

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.39-6.34pm. 12 Month 11.96-11.86pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9270 - 1.9360	1.9345 - 1.9355	1.08-1.06cpm	6.64	3.31-3.28pm	6.81
Ireland†	1.8180 - 1.8275	1.8260 - 1.8270	1.13-1.10cpm	7.33	3.36-3.30pm	7.29
Canada	1.1965 - 1.2000	1.1970 - 1.1980	0.16-0.18cdis	-1.70	0.46-0.49dis	-1.59
Netherlands	1.6365 - 1.6465	1.6370 - 1.6380	0.95-0.98cdis	-7.07	2.71-2.76dis	-6.68
Belgium	29.90 - 30.10	29.90 - 30.00	16.00-17.00cdis	-6.61	48.00-51.00dis	-6.61
Denmark	5.6075 - 5.6400	5.6075 - 5.6125	3.75-4.05oredis	-8.34	11.55-12.15dis	-8.45
Germany	1.4515 - 1.4625	1.4525 - 1.4535	0.82-0.83pfdis	-6.81	2.48-2.50dis	-6.85
Portugal	125.80 - 127.70	126.80 - 126.90	95-105cdis	-9.46	310-335dis	-10.17
Spain	93.20 - 93.85	93.45 - 93.55	78-81cdis	-10.20	240-245dis	-10.37
Italy	1103.00 - 1109.25	1103.50 - 1104.00	11.50-12.20liredis	-12.88	33.70-35.20dis	-12.48
Norway	5.7400 - 5.7650	5.7425 - 5.7475	3.73-4.03oredis	-8.10	11.05-11.55dis	-7.87
France	4.9300 - 4.9600	4.9325 - 4.9375	2.88-2.98cdis	-7.12	8.94-9.09dis	-7.31
Sweden	5.2950 - 5.3250	5.3000 - 5.3050	4.20-4.45oredis	-9.79	12.90-13.35dis	-9.90
Japan	126.20 - 126.65	126.25 - 126.35	0.07-0.08ydis	-0.71	0.11-0.12dis	-0.36
Austria	10.2550 - 10.2775	10.2650 - 10.2700	5.40-5.75grodis	-6.52	16.40-17.40dis	-6.58
Switzerland	1.3010 - 1.3130	1.3015 - 1.3025	0.53-0.55cdis	-4.98	1.68-1.71dis	-5.21
Ecu	1.3910 - 1.3985	1.3970 - 1.3980	0.91-0.89cpm	7.73	2.73-2.70pm	7.77

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Aug 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10 - 9¾	9⅞ - 9¾	9⅞ - 9⅞	10⅛ - 10	10⅛ - 10	10⅛ - 10
US Dollar	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3½ - 3⅜	3⅞ - 3¾
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾
Dutch Guilder	9⅞ - 9¾	9⅞ - 9¾	10 - 9¾	9⅞ - 9⅞	9¾ - 9⅝	9¾ - 9⅝
Swiss Franc	7¾ - 7½	7¾ - 7½	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛
D-Mark	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9⅞
French Franc	10⅛ - 10	10⅛ - 10	10⅜ - 10¼	10⅜ - 10¼	10½ - 10⅜	10½ - 10⅜
Italian Lira	15 - 13	15½ - 14½	15¼ - 14¾	15¼ - 14¾	15¼ - 14¾	15¼ - 14¾
Belgian Franc	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9⅞	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Yen	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	3⅞ - 3¾	3¾ - 3⅝	3½ - 3⅜
Danish Krone	10½ - 10	10½ - 10	11⅛ - 11⅛	11½ - 11¼	11¼ - 11	11¼ - 10¾
Asian $Sing	3¼ - 3⅛	3 - 2¾	2⅞ - 2¾	2½ - 2⅜	2¾ - 2⅝	3⅛ - 3⅛
Spanish Peseta	13¼ - 12⅞	13½ - 12⅞	13¼ - 12⅞	13¾ - 13¼	13½ - 13¼	13⅞ - 13⅝

Long term Eurodollars: two years 4⅛-4¼ per cent; three years 5-4⅞ per cent; four years 5½-5⅜ per cent; five years 5⅞-5¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.19	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.935	2.812	244.5	9.550	2.520	3.167	2136	2.316	57.95	180.5	1.384
$	0.517	1	1.453	126.4	4.935	1.302	1.637	1104	1.197	29.95	93.28	0.715
DM	0.356	0.688	1	86.95	3.396	0.896	1.126	759.6	0.824	20.61	64.19	0.492
YEN	4.090	7.914	11.50	1000	39.06	10.31	12.95	8736	9.472	237.0	738.2	5.661
F Fr.	1.047	2.026	2.945	256.0	10	2.639	3.316	2237	2.425	60.68	189.0	1.449
S Fr.	0.397	0.768	1.116	97.02	3.790	1	1.257	847.6	0.919	23.00	71.63	0.549
N Fl.	0.316	0.611	0.888	77.20	3.015	0.796	1	674.5	0.731	18.30	56.99	0.437
Lira	0.468	0.906	1.316	114.5	4.471	1.180	1.483	1000.	1.084	27.13	84.50	0.648
C$	0.432	0.835	1.214	105.6	4.123	1.088	1.367	922.3	1	25.02	77.94	0.598
B Fr.	1.726	3.339	4.852	421.9	16.48	4.349	5.465	3686	3.997	100.	311.5	2.388
Pta	0.554	1.072	1.558	135.5	5.291	1.396	1.756	1183	1.283	32.11	100.	0.767
Ecu	0.723	1.398	2.032	176.7	6.900	1.821	2.288	1543	1.673	41.87	130.4	1.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Liquidity added

STERLING futures rallied yesterday morning after the Bundesbank decisively deflated the expectation of a Lombard rate rise by injecting a generous amount of liquidity into the German money market.

In the afternoon, however, futures were falling back to their opening levels as sterling tested its low against the D-Mark on the foreign exchanges.

Dealers continue to fear that sterling's predicament in the European exchange rate mechanism, less than 4 pfennigs above its floor against the D-Mark, will force a rise in UK base rates in the short term. One commercial bank dealer suggested yesterday that the British government should now lift base rates by ½ percentage point to avoid signalling an even larger increase later.

The Bundesbank's decision to inject DM4.2bn into the money market shortly before 9am eased the strain on the currency and futures. German call money had been over the Lombard rate level, convincing the market that a Lombard rate rise was imminent.

September short sterling was at a low of 89.59 as the funds were injected, and immediately rallied 7 basis points to a high of 89.66. December short sterling rose 5 basis points to a high of 89.67.

The mood was later checked. Sterling sank to a low of DM2.8118 against the D-Mark and, as usual, futures followed. The September contract finished at 89.65 and the December contract at 89.66. Poor retail sales figures in the UK had no impact. The market has already priced in Britain's economic plight.

Trade in cash was thinner. The Bank of England was again helpful in its money market operations, forecasting a shortage of £1.1bn and removing most of it in the early round. One dealer suggested that the Bank is being accommodating to keep short dates soft and take pressure off the currency.

One-month money closed yesterday ⅛ per cent down on the offered side at 10 per cent. Three-month Libor was unchanged at 10¼ per cent.

In the early round, the Bank bought £704m of Band 1 bank bills at 9⅞ per cent and £220m in a repurchase agreement at 9⅞ per cent. In the afternoon, it bought £70m in Band 1 Treasury bills, £137m in Band 1 bank bills and provided late assistance of £180m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.04	0.72	-
105	0.79	1.95	-	0.17	1.05	1.14
106	0.20	1.38	-	0.60	1.45	-
107	0.05	0.94	1.36	1.43	1.98	-
108	0.01	0.59	1.02	-	-	-
Open Int.	154,072	227,119	21,115	116,274	106,550	11,500

Estimated volume 48,488 † Total Open Interest 636,630
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10	● Members of British Merchant Banking & Securities Houses Association.	
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.19) 3 months US dollars: bid 3⅛, offer 3¼. 6 months US Dollars.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,930 Set by HIGHLANDER

ACROSS

1 Do they exert a pull in high places? (6)
4 Manufacturer has to push unorthodox cure (8)
9 I'm looking forward to showing foundation garment (4,2)
10 Reject familiar food in Germany and unknown wine (8)
12 Bishop on dais constructed outside the church (8)
13 Land's End and land's a scarcity (6)
15 Small daughter ousted from bed by gardener (4)
16 Looked up to see tot full of mud (7)
20 Depend on unfashionable resort (4-3)
21 Bring up from the back (4)
25 Sharp shout of pain outside at the back (6)
26 Surplus energy initially a case for tranquilliser (8)
28 Not allowed before claim is complete (8)
29 Take note when in old gambling house (6)
30 Put one's name to legal document without having intended (8)
31 Sound made by musicians kept out by girl in bed (6)

DOWN

1 Refuse to reduce the volume (4,4)
2 Almost cancel rule giving rise to easy victory (8)
3 Riotous hordes in Greek island (6)
5 Run away from defeat, not finishing course (4)
6 Offshore bank starts to enforce liquidity nonsense (8)
7 Shipowners' race programme includes one in France (6)
8 Beat method of contraception (6)
11 Group takes a long time dressing (7)
14 Small section on bend workers are road surfacing (7)
17 Back part of old bicycle is of little value (8)
18 Finding number is frozen over (8)
19 Let go own tenure (8)
22 Bill small business debtor over agreement (6)
23 Sit up after one produces carnivorous tropical insect (6)
24 Criticise a graduate's informal head covering (6)
27 Out of order so he goes on foot (4)

Solution to Puzzle No.7,929

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices August 19

INDICES

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Citicorp	4,840,700	16¼	- 1⅛
Sunbeam-Os	4,319,600	12½	....
Chase Manhattan	2,783,600	22¼	- 1⅜
RJR Nabisco	2,427,600	8¼	- ⅛
Berlitz	2,243,900	23½	+ 2
Syntex	2,179,400	29⅛	- 1¼
Chemical Bank	2,133,300	32¼	- 1⅜
K Mart	1,934,000	23½	- ¼
NationsBank	1,925,200	45⅞	- 1⅛
Hewlett Packard	1,867,700	57⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 19	Aug 18	Aug 17
New York SE	186.710	167.680	152.750
Amex	22.141	13.451	12.877
NASDAQ	(u)	140.342	132.562
NYSE			
Issues Traded	2,326	2,360	2,333
Rises	591	921	967
Falls	1,137	793	765
Unchanged	598	646	601
New Highs	60	89	91
New Lows	27	33	15

CANADA

TORONTO	Aug 19	Aug 18	Aug 17	Aug 14	1992 HIGH	1992 LOW
Metals & Minerals	2981.84	2990.72	3007.99	2973.02	3238.87 (16/1)	2828.26 (8/4)
Composite	3385.52	3377.80	3379.78	3368.47	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1778.93	1771.56	1768.96	1762.72	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday August 15: Taiwan Weighted Price: 3926.38, Korea Comp Ex. (c)

§ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100 and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, August 19, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Jutaki	13.8m	191	+24	Okamoto Inds	2.3m	927	+56
Npn Steel Corp	4.3m	235	+1	Jpn Mtl & Chem	2.2m	410	+24
NKK	3.2m	205	-3	Hitachi	2.1m	729	+11
Meiji Milk	2.5m	776	+31	Nomura Sec	2.1m	1,170	+30
Mitsubishi Hvy	2.3m	491	+7	Hitachi Zosen	2.0m	408	

4:00 pm prices August 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11¾	AAR Corp	0.48	3.8	20	53	12¾	12⅝	12⅝	-⅛
26	18	A L Labs A	0.18	0.9	68	148	19¾	19¼	19½	-⅛
66¾	52⅝	AMP Inc	1.52	2.8	21	605	54¼	53⅝	53¾	-⅝
80¼	58⅞	AMR			20	1482	59⅞	d56	57¼	-1⅞
2⅞	1⅝	ARX			2	13	1⅝	1⅝	1⅝	
53½	36⅝	ASA x	2.00	5.5	24	261	36⅝	36⅜	36⅜	+⅛
34¼	26¼	Abbott Lab	0.60	2.0	22	4790	31⅛	30⅝	30⅝	-¼
13⅞	12	Abitibi Pr	0.50	4.0	6	16	12⅝	12⅛	12⅛	-⅛
11⅞	10⅛	ACM Gvt In	1.06	9.6		895	11⅛	11⅛	11⅛	+⅛
10⅞	9⅛	ACM GrOpp x	0.92	9.3		107	9⅞	9⅞	9⅞	
9½	8½	ACM Gvt Sp	0.82	8.9		207	9½	9¼	9¼	
11¼	10⅝	ACM Gvt Se	0.96	8.6		1076	11⅛	10⅞	11⅛	+⅛
10¼	8⅝	ACM Man x	0.96	9.6		626	u10¼	10	10¼	+⅛
12⅞	10⅝	ACM Managd x	0.99	9.4		431	10¾	d10½	10½	-⅛
11⅞	4⅛	Acme Cleve	0.40	5.6	13	123	7	6⅞	6⅞	-⅛
6¼	4⅛	Acme Elect			37	20	4⅞	4⅞	4⅞	
33¼	18	Acuson			11	670	17⅞	d17⅝	17⅝	-¼
19½	18⅛	Adams Exp x	0.48	2.5	0	68	19⅛	18⅞	19	
40⅛	29½	Ad Micro	3.00	8.4		60	36	35⅞	35⅞	-⅛
21½	7½	Ad Micro P	3.00	33.8	3	1978	9	8⅞	8⅞	-⅛
9⅛	5	Advest Grp	0.16	3.0	74	84	5¼	5¼	5¼	
37⅞	33	Aegon ADR	1.68	4.5	7	27	37½	37⅛	37⅛	-⅛
47	38⅞	Aetna Lf	2.76	6.8	10	6233	42⅞	40	40⅛	-2⅜
12⅞	8⅝	Affili A x	0.24	2.1	14	190	11⅛	11⅛	11⅛	-⅛
34	24	Aflac x	0.44	1.4	15	763	33	32⅛	32⅛	-½
19⅞	15⅛	Ahmanson x	0.88	5.7	7	3643	16⅛	15½	15½	-⅜
22½	5⅛	Aileen Inc			6	58	5⅜	5⅜	5⅜	
49½	36½	Air Pr Chm	0.86	2.0	18	1178	42⅞	42½	42½	-⅛
29¼	12½	Airgas Frt x	0.30	2.4	24	594	12⅝	d12½	12⅝	-⅛

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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4:00 pm prices August 19

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 19

AMERICA

Equities stage late fall ahead of Bush speech

Wall Street

US SHARE prices traded listlessly in a narrow range for most of the day yesterday until late selling of bank, housebuilding and airline stocks left leading indices notably lower at the close, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average finished 22.42 down at 3,307.06. The more broadly based Standard & Poor's 500 shed 3.16 to 418.18 while the Nasdaq composite receded 3.26 to 567.61. Turnover on the New York SE amounted to 188m shares.

Financial markets have been full of speculation this week that President Bush will announce some tax cuts during his acceptance speech as part of a bold attempt to regain the initiative from his Democratic rival, Governor Bill Clinton. Although the bond market would react negatively to such a move, analysts are unsure how equity investors would respond.

On the one hand, tax cuts would have a positive effect on the economy, and on the President's chances of re-election, but on the other, they would harm efforts to reduce inflation and the federal budget deficit. Given such uncertainty, many investors have decided to keep out of the market until after tonight's speech.

Banks were mostly lower, although analysts could not find an explanation for the sell-off in the sector. Citicorp fell $1⅛ to $16¾. BankAmerica $1⅞ to $43⅛, Chemical $1⅞ to $32¾ and Chase Manhattan $1½ to $22⅞.

Berlitz International moved ahead $2 to $23½ in turnover of 2.2m shares on news that Fukutake Publishing, of Japan, will buy 67 per cent of the company for cash, new stock and some proceeds of Maxwell Communication debts.

Airline issues weakened after AMR, parent of American Airlines, retreated $1⅞ to $57¼ on a warning from the company that it would make a heavy loss in the third quarter.

Commodore International plunged $2¼ to $6⅞ after the computer and electronic products group announced a fiscal fourth-quarter loss of 66 cents a share, a dismal performance after the 10 cents a share profit earned a year earlier.

Housebuilders were mostly lower in the wake of Tuesday's poor housing starts data. Kaufman & Broad Homes dropped the furthest, by $2¼ to $12 after warning that third-quarter earnings would come in some 20 to 30 per cent below the year-ago figure.

On the Nasdaq market, Sun Microsystems climbed $1⅜ to $26¼ on news that the stock will replace Wang Laboratories – which filed for Chapter 11 bankruptcy protection earlier this week – on the S & P 500 index today.

Canada

THE sudden late downturn on Wall Street chopped a few points off the Toronto market but stocks ended no worse than mixed with help from stronger bank shares.

A Goldman Sachs report by a New York analyst, recommending Royal Bank of Canada and Bank of Montreal, pushed banks up. Royal Bank was up C$⅜ at C$24⅜, after a day's high of C$25⅛, and Bank of Montreal ended C$⅞ firmer at C$46⅛. The TSE 300 index gained 7.7 at 3,385.5 in volume of 26m shares.

Bears find some opposition in Milan

Some analysts say it is time to buy while others remain cautious, says **Haig Simonian**

With many Italian blue chips trading at a fraction of their former levels, some of the country's equity analysts are sticking their heads above the parapets and saying the time is now right to buy.

Historically, the prices seem cheap. The Comit index, which rose 0.41 to 401.18 yesterday, is now less than half its May 1986 peak of 908.2, and Fiat's ordinary stock, at around L4,100 ($3.70), stands at just above a quarter of its record high on an adjusted basis. Encouraged by the unexpected resolve of the new government in tackling the huge budget deficit, some analysts claim that such bargains cannot last.

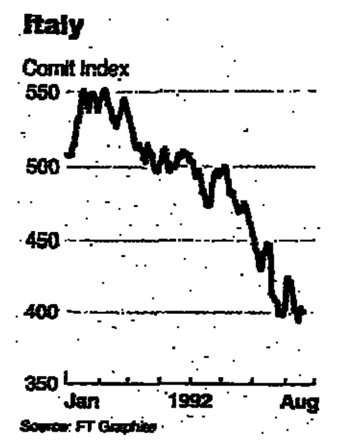
The success of Mr Giuliano Amato, the prime minister, in confronting the *scala mobile* wage indexation system and bloated pension provisions has been impressive. In the six weeks since taking office, the new government has achieved more than some predecessors in as many years.

Crucial decree laws have been proposed to cut spending, while the L30,000bn emergency budget won parliamentary approval in record time. Privatisation is now under way in earnest, and the Treasury has transformed the country's four biggest public sector groups into joint stock companies as a first step towards flotation.

Such changes have come as a tonic to the optimists searching for a ray of hope amid the gloom surrounding the economy and the lira after two months of rising interest rates and devaluation fears.

Recent figures from the New York-based Institutional Brokers Estimate System (IBES) show the consensus of Italian analysts predicting a rise of 12 per cent in corporate earnings this year. Coupling this with recent political successes, some houses are awash with buy recommendations.

Such advice should be treated with caution. The consensus earnings forecasts "are still dangerously high", according to one analyst. Gemina-Credit Lyonnais Sim expects earnings to drop by 8 per cent this year, and attributes the bullish IBES numbers to updating delays. "Saying share prices are attractively low is fine as long as you do not own them," says one observer. "This year's upbeat earnings forecasts are a rerun of 1991, when estimates were consistently too high. Talking about bargain hunting is dangerous."



"Looking at historical values is meaningless," agrees a colleague. "At the market's peak in 1986, Italian companies had everything going for them." Earnings were rising, largely thanks to cost-cutting: the economy was growing strongly, having emerged relatively late from the 1981-83 recession; there was political stability under the Craxi government; and inflation and interest rates were falling fast.

Today's scene is different. Domestic growth is slowing, many export markets are in recession, Italian interest rates are high and the lira is pegged to the narrow band of the European Monetary System.

The yield gap between the bond and equity markets lies at the core of the arguments in favour of caution. "Historically, shares may seem cheap, but measured against bonds they look very expensive," says one economist. With yields of 13 to 14 per cent on government bonds and an earnings yield of 8 per cent at best on shares, "equities have to be incredibly attractive" in view of the risks.

Such caution is reinforced by the far greater liquidity of the bond market compared with current daily volumes of L50bn to L60bn on the bourse.

Only when interest rates fall substantially will equities become attractive. The immediate outlook is for rates to stay high, or even to rise should the lira come under renewed pressure. Not even rumours of devaluation alter the prognosis. Analysts say that devaluation would be interpreted as a sign of failure, which would keep the pressure on the currency.

Lower interest rates depend on the government's ability to get a grip on fiscal policy and tackle the deficit. So far, ministers have shown admirable resolve in making previously unthinkable spending cuts, while Mr Amato has used the tacit threat of new elections, unpopular in parliament, to push through tough decree laws. But with much deeper spending curbs ahead, the government's true test, and the decisive signal for the stock market, will come in September when ministers draw up their 1993 budget plans.

ASIA PACIFIC

Official measures produce limited advance in Nikkei

Tokyo

THE FINANCE Ministry's emergency package to support the banking system had a limited effect on equities, *writes Emiko Terazono in Tokyo.*

The Nikkei average rallied 341.33, or 2.4 per cent, to 14,650.74. However, some traders were disappointed that the index failed to recoup Tuesday's 620-point loss. It fell to a low for the day of 14,194.40 in mid-morning, before setting a high for the session of 14,807.01 in the afternoon on arbitrage-related index-linked buying.

Volume increased modestly to 220m shares from 185m, while rises outscored declines by 626 to 321, with 144 issues unchanged. The Topix index of all first section stocks recovered 14.62 to 1,117.12, and in London the ISE/Nikkei 50 index firmed 4.17 to 925.68.

The Finance Ministry's measures were greeted with cynicism by dealers and investors, as the package failed to reveal new and concrete measures to support the banks, or the stock market. Directives by the ministry requesting banks to refrain from selling stock holdings to boost interim profits, and allowing them to shore up profits by removing stock evaluation losses from the interim profit and loss statements, were welcomed by the banks, but criticised by analysts as a temporary solution.

Some analysts welcomed the drastic change in the ministry's attitudes towards the banks and stock market. Mr Jason James, strategist at James Capel, said the ministry was finally addressing the seriousness of the problems.

However, institutional investors failed to react. "We are encouraged by the shift in the authorities' stance, but we would have to see the major economic measures to be announced at the end of this month," said a fund manager at a leading life insurer, "we are in no hurry to buy."

Banks were firm, Fuji Bank advancing Y50 to Y1,340. Nippon Housing Loan, the home-loan company, moved ahead a further Y24 to Y191. It was again the day's leading active issue, rising on short-covering by dealers.

High-technology blue chips rose on bargain hunting and short-covering. Hitachi improved Y11 to Y729 and Toshiba Y7 to Y554. However, Sony declined Y20 to Y3,540 and Pioneer Electronic Y10 to Y2,660. Both stocks had led the fall on Tuesday, and some dealers, pessimistic over the companies' earnings results that were announced after the market closed yesterday, sold ahead of the news.

In Osaka, the OSE average picked up 190.94 to 15,728.16 in volume of 17.3m shares.

Roundup

THE REST of the region was almost equally split between advances and declines.

SINGAPORE recovered from an early fall on bargain hunting and the Straits Times Industrial index, which sank more than 3 per cent to a 19-month low of 1,269.40 in the late morning, ended a net 1.16 up at 1,312.11. Volume rose to 74.03m shares from 59.27m.

SEOUL's index climbed 14.14 to 479.09 in anticipation of the government's planned bail-out and on the back of a late buying spree in Daewoo shares. Brokers said 10 of Daewoo Group's 17 listed stocks went the day's limit up as investors discounted rumours that the group's chairman harboured political ambitions.

Brokers said government measures were expected to include the issue of stock stabilisation bonds (SSB), a waiver of inheritance taxes on SSBs and an easing of tight money supply. Government officials declined to comment.

NEW ZEALAND eased in thin, volatile trading but Fletcher Challenge and Telecom rose. The NZSE-40 capital index shed 3.05 to 1,498.17.

Fletcher Challenge ended 3 cents up at NZ$2.58 after reporting its first ever loss of NZ$157.5m, in line with expectations. Telecom was 3 cents ahead at NZ$2.35, after touching NZ$2.38, following strong interest overnight in the US. The company is expected to report a steady first-quarter result today.

HONG KONG retreated on an afternoon sell-off by overseas institutions, the Hang Seng Index falling 54.72 to 5,620.44 in turnover down from HK$2.52bn to HK$2.02bn. Sentiment was dented further by heavy selling of Hang Seng Index futures, and Jardine Matheson dropped HK$3 to HK$53 on rights issue rumours.

AUSTRALIA was brought gently lower by weak bank stocks. Westpac again slipped below its A$3.00 rights issue price, to A$2.97 for a loss of 4 cents, while ANZ fell 7 cents to A$3.21. The All Ordinaries Index dipped 3.4 to 1,561.6.

BHP's offer to buy 37.5 per cent of Foster's Brewing at the equivalent of A$2.39 per share came after the close, when Foster's was 10 cents off at A$1.73. The deal was on the cards, but the price may interest the market today.

TAIWAN's weighted index fell 38.98 to another 19-month low of 3,733.93. Sentiment, already weak, was hurt by reports quoting Tsai Wan-lin, head of the Cathay insurance and construction group, as saying he would visit China to explore investment opportunities; this was perceived as a further threat to the weakening domestic property market.

EUROPE

Financial sector depresses Nordic bourses

THE FIRST anniversary of the putsch in the former Soviet Union saw bourses in relatively quiet mood, *writes Our Markets Staff*, perhaps awaiting the German M3 figures which are expected to follow today's Bundesbank meeting.

On that day a year ago, the FT-SE Eurotrack index dropped 7.3 per cent. Yesterday, it closed slightly lower than it did then.

Nordic markets were depressed by the slow erosion of the Scandinavian financial sector. The suspension of payments by the insurer, Hafnia, left **COPENHAGEN**'s CSE index 3.24 lower at 292.85, and within that Den Danske Bank DKr10 lower at DKr324.

STOCKHOLM dropped 1.3 per cent, the Affärsvärlden general index ending 10.9 down at 797.4, led by the financial and banking sector which registered a 3.2 per cent fall. There were rumours, later denied, that S-E-Banken might be the next in line for government handouts. S-E-Banken dropped SKr1 or 5.1 per cent to SKr18.50, a 12-month low.

OSLO fell 2.6 per cent as Den norske Bank and Uni Storebrand ended NKr1.1 down at NKr3.2, and NKr2.1 lower at NKr15.9 respectively, both at new lows, and the all-share index tumbled 9.06 to 336.63. **HELSINKI**'s bank and finance house index lost another 3.5 per cent as the Hex index closed just 1.8 lower at 648.7.

FRANKFURT was dominated by derivatives trading ahead of Friday's close of August calls and puts on the DTB. After Tuesday's disturbing Mannesmann interim report, there was also some serious questioning of companies whose results could be disappointing.

Turnover rose from DM3.9bn to DM4.5bn as the DAX index fell 8.50 to 1,524.72, another low for the year. Within that, carmakers were generally weak with Volkswagen down DM7.50 to DM325.50; Metallgesellschaft dropped DM11 to DM314; MAN, and Mannesmann shed another DM7.40 to DM286.20, and DM4 to DM234.20 respectively; and Viag fell DM9.30 to DM338.50.

July German car registration figures, and progress reports from Daimler and Volkswagen are expected next week. MAN has been dropping on both fundamental and technical considerations, said Mr Matthias Welticke at Merck Finck in Düsseldorf, with worries about its truck and printing machine divisions and a previous "bottom" of DM310 for the stock well and truly breached.

While Metallgesellschaft is viewed as a failed recovery stock, Mr Welticke thinks that Viag's results today will reflect that company's solid, energy utility base more than the problems in its aluminium, and chemicals offshoots. Lufthansa, meanwhile, stayed among the winners with a rise of DM3 to DM101.

PARIS closed above the day's low but trading remained nervous ahead of the September referendum on Maastricht. The CAC 40 finished 2.51 lower at 1,734.21, but off its worst level of 1,722.40, in low turnover of FFr1.28bn.

Euro Disney was the day's most prominent faller as sell orders from US investors, prompted by a sell note from Morgan Stanley, knocked the share price as low as FFr75 before a close FFr6.40, or 7.7 per cent lower at FFr76.60 in volume of 1m shares.

L'Oréal rose FFr16 or 1.8 per cent to FFr929 on buying by a UK broker.

AMSTERDAM closed firmer, on buying of index constituents from the European options exchange. The CBS Tendency Index fell 0.2 to 111.90. Hunter Douglas remained weak following its poor interims on Tuesday, dropping Fl 8.80 or 15 per cent to Fl 47.20, a new 1992 low.

ZURICH featured a 15 per cent drop in Adia bearers, down SFr33 at SFr182 on a newspaper report predicting that the employment agency group would make a loss in 1992. The SMI index, meanwhile, fell 12.9 to 1,775.7.

MADRID saw a Pta35 fall to Pta2,475 in Repsol as the general index eased 0.39 to 208.27. The state-owned oil group said that it plans to go ahead with an international share placing, probably in the last quarter of this year, in spite of the present weakness in stock markets.

VIENNA rose slightly but traders said the move was not convincing enough to shake the market out of its downtrend. The ATX index of 18 leading shares edged up 4.8 to 732.18 and the all-share Vienna bourse index rose 1.4 to 354.05.

ISTANBUL's 75-share index fell for the third day, ending down 16.13 at 4,035.93.

FT-SE Eurotrack 100 - Aug 19

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1034.31	1035.34	1034.88	1033.01	1033.11	1033.57	1033.05	1033.91

Day's High 1035.55 Day's Low 1032.36

Aug 18	Aug 17	Aug 14	Aug 13	Aug 12
1035.74	1045.00	1042.13	1035.59	1037.76

Base value 1000 (26/10/90).

SOUTH AFRICA

LIBERTY Life featured with a R1.75 rise to R46.75 on strong first-half results and a 35th anniversary dividend. The overall index closed 28 up at 3,167 and industrials rose 26 to 4,009.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 19 1992								TUESDAY AUGUST 18 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	133.27	+0.4	102.11	106.40	100.68	122.33	−0.2	4.46	132.76	102.01	105.94	100.63	122.56	153.68	131.66	145.63
Austria (19)	148.06	+0.9	113.45	118.21	111.85	112.26	+0.9	2.60	146.81	112.80	117.16	111.28	111.30	186.70	139.27	165.00
Belgium (42)	143.48	+0.9	109.93	114.54	108.38	105.97	+0.5	5.80	142.24	109.30	113.51	107.82	105.41	152.27	135.87	124.90
Canada (114)	125.77	+0.1	96.36	100.40	95.00	109.06	+0.1	3.19	125.60	96.51	100.23	95.20	108.91	142.12	124.32	139.27
Denmark (35)	228.61	−1.3	175.16	182.52	172.70	174.43	−1.5	2.01	231.55	177.92	184.79	175.52	177.15	273.94	226.72	251.18
Finland (15)	68.22	+0.0	52.27	54.47	51.54	57.41	+0.1	2.46	68.25	52.44	54.47	51.73	57.33	89.80	68.20	92.41
France (103)	156.53	+0.0	119.93	124.96	118.24	121.17	−0.2	3.71	156.46	120.22	124.86	118.59	121.37	168.75	148.06	130.42
Germany (64)	115.45	+0.3	88.46	92.19	87.21	87.21	+0.0	2.62	115.06	88.41	91.84	87.22	87.22	129.69	114.67	102.07
Hong Kong (53)	232.66	−1.1	178.27	185.75	175.76	230.99	−1.1	3.61	235.18	180.70	187.68	178.27	233.48	259.55	176.36	180.15
Ireland (16)	158.17	+0.1	121.19	126.28	119.48	122.02	−0.1	4.32	158.02	121.42	126.10	119.78	122.13	173.71	151.78	151.42
Italy (78)	63.35	+0.5	48.54	50.57	47.85	52.22	+0.2	3.97	63.03	48.43	50.30	47.77	52.11	80.86	61.30	70.39
Japan (473)	88.49	+1.4	67.80	70.65	66.86	70.65	+1.4	1.20	87.27	67.05	69.64	66.16	69.64	140.95	87.27	124.37
Malaysia (69)	224.73	+1.0	172.19	179.41	169.76	216.33	+1.0	2.91	222.60	171.04	177.64	168.73	214.29	250.47	212.49	196.39
Mexico (18)	1358.59	−0.7	1040.95	1084.65	1026.30	4582.50	−0.7	1.31	1367.96	1051.12	1091.70	1036.93	4614.86	1789.77	1303.41	1088.81
Netherland (25)	163.52	+0.7	125.29	130.55	123.53	122.21	+0.3	4.59	162.46	124.83	129.65	123.15	121.87	167.29	147.88	136.14
New Zealand (14)	43.41	+0.1	33.26	34.66	32.79	42.70	−0.2	5.32	43.37	33.33	34.62	32.88	42.79	48.52	42.01	45.46
Norway (23)	152.03	−1.2	116.49	121.38	114.85	118.56	−1.4	2.13	153.94	118.28	122.85	116.69	120.19	192.95	152.03	197.72
Singapore (38)	181.84	+0.6	139.32	145.17	137.36	134.83	+0.6	2.45	180.71	138.86	144.22	136.98	134.08	229.63	180.71	180.45
South Africa (61)	190.19	+1.8	145.73	151.84	143.67	156.72	+0.6	3.24	186.87	143.59	149.13	141.65	155.75	263.60	186.87	236.53
Spain (49)	136.32	−0.1	104.45	108.83	102.98	96.56	−0.1	6.08	136.51	104.89	108.95	103.48	96.70	161.72	133.79	145.87
Sweden (30)	180.05	−0.6	137.95	143.75	136.02	141.34	−0.9	2.91	181.22	139.25	144.63	137.37	142.66	200.28	173.09	185.81
Switzerland (62)	110.80	−0.1	84.90	88.47	83.71	89.44	−0.8	2.40	110.88	85.20	88.49	84.06	90.12	113.88	95.99	90.75
United Kingdom (228)	181.07	+0.6	138.74	144.55	136.77	138.74	+0.3	5.28	179.96	138.28	143.60	136.40	138.28	200.07	165.85	174.76
USA (522)	170.40	−0.7	130.56	136.04	128.73	170.40	−0.7	2.95	171.68	131.92	137.02	130.14	171.68	173.10	160.92	158.69
Europe (789)	145.46	+0.4	111.45	116.13	109.89	111.22	+0.1	4.29	144.95	111.37	115.68	109.88	111.16	156.88	139.31	135.29
Nordic (103)	166.82	−0.9	127.82	133.19	126.02	124.84	−1.1	2.54	168.33	129.34	134.33	127.59	126.29	188.52	166.82	183.51
Pacific Basin (715)	94.80	+1.2	72.63	75.68	71.61	76.88	+1.2	1.60	93.70	72.00	74.78	71.03	75.99	141.97	93.70	125.72
Euro - Pacific (1504)	115.29	+0.8	88.33	92.03	87.08	91.09	+0.6	2.97	114.42	87.92	91.31	86.73	90.55	145.21	113.80	129.84
North America (638)	167.60	−0.7	128.42	133.82	126.63	166.22	−0.7	2.96	168.80	129.70	134.73	127.98	167.40	170.31	158.70	157.42
Europe Ex. UK (561)	123.94	+0.2	94.96	98.97	93.65	95.40	−0.2	3.57	123.73	95.08	98.77	93.81	95.55	132.98	121.81	112.13
Pacific Ex. Japan (242)	156.95	−0.1	120.25	125.32	118.57	141.45	0.3	3.82	157.12	120.74	125.41	119.11	141.93	175.31	149.00	139.16
World Ex. US (1697)	117.22	+0.7	89.81	93.59	88.55	93.46	+0.6	2.97	116.36	89.41	92.87	88.21	92.94	148.91	116.18	131.84
World Ex. UK (1991)	129.82	+0.0	99.47	103.65	98.08	114.65	+0.0	2.66	129.78	99.72	103.58	98.38	114.69	150.58	127.21	136.59
World Ex. So. Af. (2158)	133.92	+0.1	102.61	106.93	101.18	116.50	+0.0	2.96	133.82	102.82	106.80	101.44	116.50	153.05	130.04	139.27
World Ex. Japan (1746)	159.54	−0.3	122.24	127.38	120.54	143.55	−0.4	3.47	159.97	122.92	127.67	121.28	144.13	165.40	153.20	149.47
The World Index (2219)	134.24	+0.1	102.88	107.18	101.42	116.88	+0.0	2.96	134.11	103.05	107.03	101.66	116.88	153.70	130.68	139.91